

TOKIO MARINE INSURANCE SINGAPORE LTD.
(Incorporated in Singapore. Registration No: 192300014M)

ANNUAL REPORT
For the financial year ended 31 December 2023

TOKIO MARINE INSURANCE SINGAPORE LTD.
(Incorporated in Singapore)

ANNUAL REPORT
For the financial year ended 31 December 2023

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TOKIO MARINE INSURANCE SINGAPORE LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

The directors present their statement to the member together with the audited financial statements for the financial year ended 31 December 2023.

In the opinion of the directors,

- (a) the financial statements as set out on pages 6 to 95 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Company for the financial year covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Yao Chih Matthias (appointed on 2 May 2023)

Cher Ah Kow

Katsuhiro Sawada

Ooi Chee Kar

Veizio Philippe Guy Stephane

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

TOKIO MARINE INSURANCE SINGAPORE LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

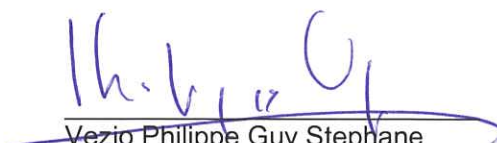
Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Cher Ah Kow
Director



Vezio Philippe Guy Stephane
Director

23 May 2024

TOKIO MARINE INSURANCE SINGAPORE LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TOKIO MARINE INSURANCE SINGAPORE LTD.

For the financial year ended 31 December 2023

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Tokio Marine Insurance Singapore Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRS") so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the financial year ended 31 December 2023;
- the balance sheet as at 31 December 2023;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the financial year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

TOKIO MARINE INSURANCE SINGAPORE LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TOKIO MARINE INSURANCE SINGAPORE LTD.

For the financial year ended 31 December 2023 (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

TOKIO MARINE INSURANCE SINGAPORE LTD.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
TOKIO MARINE INSURANCE SINGAPORE LTD.**

For the financial year ended 31 December 2023 (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other Legal and Regulatory Requirements

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



Public Accountants and Chartered Accountants
Singapore, 23 May 2024

TOKIO MARINE INSURANCE SINGAPORE LTD.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	Note	2023 \$'000	2022 \$'000 (Restated)
Insurance revenue		231,434	222,587
Insurance service expenses		(188,944)	(149,990)
Net expenses from reinsurance contracts held		(16,616)	(46,044)
Insurance service result	5	25,874	26,553
Investment revenue on			
Financial assets not measured at fair value through profit or loss		12,197	12,401
Financial assets measured at fair value through profit or loss		5,895	-
Net credit impairment loss on financial assets		38	-
Net investment result	6	18,130	12,401
Net finance expenses from reinsurance contracts held		(1,806)	(1,103)
Net finance income from insurance contracts		1,377	3,746
Net insurance finance (expenses)/income	6	(429)	2,643
Fee income	7(a)	4,738	4,228
Other operating income	7(b)	8,670	8,421
Other expenses	8	(8,128)	(7,400)
Profit before tax		48,855	46,846
Income tax expense	9	(8,873)	(5,380)
Net profit		39,982	41,466
Other comprehensive income ("OCI"):			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value gains on equity securities designated at fair value through other comprehensive income ("FVOCI") (gross of tax)	12	133	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gains/(losses) on debt securities measured at FVOCI (gross of tax)	12	15,626	(46,467)
Fair value losses on debt securities measured at FVOCI reclassified to profit or loss on disposal (gross of tax)	6	242	111
Net credit impairment losses on financial assets at FVOCI	6	(42)	-
		15,826	(46,356)
Income tax on items recorded through other comprehensive income	19	(2,720)	7,928
		13,106	(38,428)
Total other comprehensive income		13,239	(38,428)
Total comprehensive income		53,221	3,038

The accompanying notes form an integral part of these financial statements.

TOKIO MARINE INSURANCE SINGAPORE LTD.

BALANCE SHEET

As at 31 December 2023

	Note	31 December		1 January
		2023 \$'000	2022 \$'000 (Restated)	2022 \$'000 (Restated)
ASSETS				
Cash and cash equivalents	10	120,323	101,131	91,898
Other assets	11	30,798	30,099	24,223
Investment assets	12	357,505	345,565	406,262
Reinsurance contracts assets	13	137,172	95,604	102,713
Investment properties	14	39,224	40,243	40,982
Property, plant and equipment	15	18,321	18,142	18,318
Right-of-use assets	16(a)	772	280	633
Deferred income tax assets	19	4,289	7,435	281
Total assets		708,404	638,499	685,310
LIABILITIES				
Other payables	18	81,345	74,059	62,223
Lease liabilities	16(b)	758	265	620
Insurance contracts liabilities	13	274,984	228,868	227,919
Current income tax liabilities	9(b)	11,223	8,844	10,494
Deferred income tax liabilities	19	-	-	329
Total liabilities		368,310	312,036	301,585
NET ASSETS		340,094	326,463	383,725
EQUITY				
Share capital	20	100,000	100,000	100,000
Fair value reserve		(9,640)	(28,137)	10,291
Retained earnings		249,734	254,600	273,434
Total equity		340,094	326,463	383,725

The accompanying notes form an integral part of these financial statements.

TOKIO MARINE INSURANCE SINGAPORE LTD.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2023

	Note	Share capital \$'000	Fair value reserve \$'000	Retained earnings \$'000	Total equity \$'000
2022					
Balance as at 1 January 2022, as previously reported		100,000	10,291	253,895	364,186
Impact of initial application of FRS 117		-	-	19,539	19,539
Restated Balance as at 1 January 2022		100,000	10,291	273,434	383,725
Profit for the year		-	-	41,466	41,466
Other comprehensive loss for the year		-	(38,428)	-	(38,428)
Total comprehensive (loss)/income		-	(38,428)	41,466	3,038
Total transactions with owners, recognised directly in equity					
Dividend paid	21	-	-	(60,300)	(60,300)
End of financial year		100,000	(28,137)	254,600	326,463
2023					
Restated balance at 1 January 2023		100,000	(28,137)	254,600	326,463
Impact of initial application of FRS 109		-	5,258	(5,548)	(290)
Restated Balance as at 1 January 2023		100,000	(22,879)	249,052	326,173
Profit for the year		-	-	39,982	39,982
Other comprehensive income for the year		-	13,239	-	13,239
Total comprehensive income		-	13,239	39,982	53,221
Total transactions with owners, recognised directly in equity					
Dividend paid	21	-	-	(39,300)	(39,300)
End of financial year		100,000	(9,640)	249,734	340,094

The accompanying notes form an integral part of these financial statements.

TOKIO MARINE INSURANCE SINGAPORE LTD.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

	Note	2023 \$'000	2022 \$'000 (Restated)
Cash flows from operating activities			
Profit after tax		39,982	41,466
Adjustments for:			
- Income tax expense		8,873	5,380
- Depreciation of property, plant and equipment		1,568	1,334
- Depreciation of right-of-use assets		600	476
- Depreciation of investment properties		736	739
- Decrease in allowance for impairment of club membership		(127)	(163)
- Amortisation of investment assets		193	217
- Net gains of on disposal of property, plant and equipment		-	(15)
- Net losses on disposal of investment assets		242	111
- Fair value gains recognised in profit and loss		(3,529)	-
- Net gain on lease modification		-	(1)
- Interest expense on lease liabilities		44	19
- Impact on initial application of FRS 109		(290)	-
- Write-back of expected credit loss on debt securities at FVOCI		(42)	-
- Interest income		(12,439)	(9,919)
- Dividend income		(2,366)	(2,593)
		<u>33,445</u>	<u>37,051</u>
Changes in working capital:			
- Increase in other assets		(342)	(5,332)
- (Increase)/decrease reinsurance contract assets		(41,568)	7,109
- Increase in insurance contract liabilities		46,116	949
- Increase other payables		7,286	11,836
Cash generated from operations		<u>44,937</u>	<u>51,613</u>
Income tax paid		<u>(6,068)</u>	<u>(6,585)</u>
Net cash provided by operating activities		<u>38,869</u>	<u>45,028</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(1,464)	(1,178)
Disposal of property, plant and equipment		-	35
Purchases of investment assets		(18,036)	(44,831)
Disposal of investment assets		25,191	58,844
Interest received		12,204	9,538
Dividends received		2,366	2,593
Net cash provided by investing activities		<u>20,261</u>	<u>25,001</u>
Cash flows from financing activities			
Principal payment of lease liabilities		(638)	(496)
Dividend paid		(39,300)	(60,300)
Net cash used in financing activities		<u>(39,938)</u>	<u>(60,796)</u>
Net increase in cash and cash equivalents		<u>19,192</u>	<u>9,233</u>
Cash and cash equivalents			
Beginning of financial year		101,131	91,898
Cash and cash equivalents at end of financial year	10	<u>120,323</u>	<u>101,131</u>

Reconciliation of lease liabilities arising from financing activities

	Beginning of financial year \$'000	Principal payment \$'000	Interest expense \$'000	Addition – new leases \$'000	Modifications of lease liabilities \$'000	End of financial year \$'000
2023	265	(638)	44	1,101	(14)	758
2022	620	(496)	19	146	(24)	265

The accompanying notes form an integral part of these financial statements.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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

1. General information

Tokio Marine Insurance Singapore Ltd. (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 20 McCallum Street, #09-01 Tokio Marine Centre, Singapore 069046.

The principal activity of the Company is to carry on the business of general insurance.

2. Material accounting policy information

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Adoption of FRS

The Accounting Standards Council Singapore ("ASC") has issued a number of new FRS and amendments to FRS that are effective in the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

- (i) New amendment and new and revised standards adopted by the Company
 - FRS 109, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities.
 - FRS 117, Insurance Contracts, replaces FRS 104, Insurance Contracts.

Additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Company's financial statements is provided in Note 2.1(a) and Note 2.1(b).

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.1 Basis of preparation (continued)

(a) Adoption of FRS 117 Insurance Contracts

Changes to classification and measurement

FRS 117 replaces FRS 104 Insurance Contracts for annual periods beginning on or after 1 January 2023.

The adoption of FRS 117 did not change the definition of the Company's insurance contracts issued and reinsurance contracts held. However, FRS 117 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The key principles of FRS 117 are that the Company:

- Identifies (re)insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder
- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards, if any
- Divides the insurance contracts issued and reinsurance contracts held into groups it will recognise and measure
- Recognises and measures groups of insurance and reinsurance contracts at:
 - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information;
- Recognises profit from a group of insurance contracts over the period the Company provides insurance coverage, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., lossmaking) over the remaining coverage period, the Company recognises the loss immediately.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 2.2 Insurance contracts and reinsurance contracts held.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.1 Basis of preparation (continued)

(a) Adoption of FRS 117 Insurance Contracts (continued)

Changes to presentation and disclosure

For presentation in the balance sheet, the Company aggregates groups of insurance contracts issued and reinsurance contracts held and presents separately:

- Groups of insurance contracts issued that are assets
- Groups of reinsurance contracts held that are assets
- Groups of insurance contracts issued that are liabilities
- Groups of reinsurance contracts held that are liabilities

The groups referred to above are those established at initial recognition in accordance with the FRS 117 requirements.

The line item descriptions in the statement of comprehensive income have been changed significantly compared with prior year. Previously the Company reported the following line items which are gross premiums written, outward reinsurance premiums, gross claims incurred, reinsurers' share of claims paid, movements in reserves for unexpired risks, net of deferred acquisition cost, and change in net outstanding claims. FRS 117 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net income/(expense) from reinsurance contracts held
- Net finance income/(expense) from insurance contracts issued and reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts issued and reinsurance contracts held.
- Significant judgements, and changes in those judgements, made when applying the standard.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.1 Basis of preparation (continued)

(a) Adoption of FRS 117 Insurance Contracts (continued)

Transition

The Company have applied the following transition approach where:

- The Company has identified, recognised and measured each group of insurance contracts issued and reinsurance contracts held as if FRS 117 had always applied (full retrospective approach basis).
- Derecognised any existing balances that would not exist had FRS 117 always applied.
- Recognised any resulting net difference in equity.

(b) Adoption of FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The Company has applied FRS 109 retrospectively from 1 January 2023, in line with the transition provision permitted under the standard. In particular, as permitted by the transitional provisions of FRS 109, the Company elected not to restate comparative figures. Differences arising from the adoption of FRS 109 have been recognised in the opening retained earnings as of 1 January 2023 and are disclosed below.

The nature of the changes in accounting policies can be summarised as follows:

Changes to classification and measurement

To determine their classification and measurement category, FRS 109 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The FRS 39 measurement categories for financial assets fair value through profit or loss ("FVTPL"), available for sale ("AFS"), loans and receivables ("L&R"), and amortised cost have been replaced by:

- Financial assets at fair value through profit or loss including equity instruments and derivatives
 - Equity securities designated at fair value through other comprehensive income
 - Debt securities at fair value through other comprehensive income
 - Other receivables including intercompany receivables at amortised cost
 - Cash and cash equivalents at amortised cost
-

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.1 Basis of preparation (continued)

(b) Adoption of FRS 109 Financial Instruments (continued)

Changes to classification and measurement (continued)

The Company's classification of its financial assets is explained in Note 2.8 Financial assets. The quantitative impact of applying FRS 109 as at 1 January 2023 is disclosed in the subsequent pages.

Changes in disclosure – FRS 109

To reflect the differences between FRS 109 and FRS 39, FRS 107 Financial Instruments: Disclosures was also amended. The Company applied the amended disclosure requirements, together with FRS 109, for the year beginning 1 January 2023. Changes include transition disclosures as shown below.

Transition disclosure – FRS 109

FRS 107 includes disclosure requirements at the date of initial application of FRS 109 (1 January 2023). The following additional tables have been included to provide the user with additional information about the transition to FRS 109 and the adjustments to opening balances of retained earnings and the fair value reserve as at 1 January 2023.

The following table shows the material reclassifications arising from adoption of FRS 109 on 1 January 2023.

In Singapore Dollars (\$'000)	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39	New carrying amount under FRS 109
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	101,131	100,841
Other assets (exclude transferable club membership and prepayments)	Loans and receivables	Amortised cost	28,863	28,863
Unquoted Equity securities	Available-for-sale	FVOCI (designated)	1,791	1,791
Other Equity securities	Available-for-sale	FVTPL (mandatory)	58,381	58,381
Debt securities	Available-for-sale	FVOCI	285,393	285,393
Total financial assets			475,559	475,269
Financial liabilities				
Other payables	Amortised cost	Amortised cost	(74,059)	(74,059)
Lease liabilities	Amortised cost	Amortised cost	(265)	(265)
Total financial liabilities			(74,324)	(74,324)

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.1 Basis of preparation (continued)

(b) Adoption of FRS 109 Financial Instruments (continued)

The impact of transition to FRS 109 and FRS 117 on reserves and retained earnings is, as follows:

Transition disclosure – FRS 109 (continued)

In Singapore Dollars (\$'000)	Reserves and retained earnings
<u>Fair value reserve</u>	
Closing balance under FRS 39 (31 December 2022)	(28,137)
Reclassification of investments from available-for-sale to FVTPL	5,028
Net credit impairment losses on debt securities measured at FVOCI	230
Opening balance under FRS 109 (1 January 2023)	<u>(22,879)</u>
<u>Retained earnings</u>	
Closing balance under FRS 39 (31 December 2022)	254,600
Reclassification of investments from available-for-sale to FVTPL	(6,059)
Deferred tax in relation to FRS 109 application	1,031
Net credit impairment losses	(520)
Opening balance under FRS 109 (1 January 2023)	<u>249,052</u>
<i>Total change in equity (after tax) due to the application of new standards</i>	
Fair value reserve	5,258
Retained earnings	(5,548)
Total change in equity due to application of FRS 109	<u>(290)</u>
Insurance / reinsurance finance reserve	-
Retained earnings	19,539
Total change in equity due to application of FRS 117 (1 January 2022)	<u>19,539</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held

(a) Summary of measurement methods

The issued insurance contracts and its respective reinsurance contracts are accounted for applying the Premium Allocation Approach ("PAA"). The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. The Company has adopted PAA for its' entire insurance contracts measurement for simplicity in view that the insurance contracts underwritten are largely short duration and for those that are not, further tests have been performed with results showing no material differences from that under the General Measurement Model ("GMM").

(b) Definition and classifications

Products sold by the Company are classified as insurance contracts when the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Company considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Company determines whether it contains significant insurance risk, by assessing if a reinsured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the reinsured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the reinsurance contract.

The Company holds reinsurance contracts to mitigate certain risk exposure. These are facultative and treaty reinsurance contracts.

(c) Combining a set or series of contracts

When determining whether it is necessary to treat a set or series of reinsurance contracts as a single contract involves significant judgement and careful consideration.

In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the Company determines whether the rights and obligations are different when looked at together compared to when looked at individually and whether the Company is unable to measure one contract without considering the other.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(d) *Separating components from insurance contracts issued and reinsurance contracts held*

Some insurance contracts and reinsurance contracts held issued by the Company have several components in addition to the provision of the insurance coverage service, such as an investment component.

The Company assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other Standards. When these non-insurance components are non-distinct, they will be accounted for together with the insurance component as part of the accounting for insurance contracts and reinsurance contracts held.

The Company first considers the need to separate distinct embedded derivatives (if any issued during the year) and investment components before assessing the need to separate any non-insurance services component.

(i) *Separating investment components*

The Company issues policies which include an investment component under which the Company is required to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are only separated from the insurance contract if they are distinct. Those distinct investment components are accounted for applying FRS 109.

In assessing whether an investment component is distinct, the Company considers whether the investment and insurance components are not highly interrelated and a contract with equivalent terms to the investment component is sold (or could be sold) separately in the same market or in the same jurisdiction by other entities (including entities issuing reinsurance contracts).

In determining whether investment and reinsurance components are highly interrelated, the Company assesses whether it is unable to measure one component without considering the other and the policyholder is unable to benefit from one component unless the other component is present, i.e. whether cancelling one component also terminates the other. The Company has not identified any distinct investment components.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(d) *Separating components from insurance contracts issued and reinsurance contracts held* (continued)

(i) *Separating investment components* (continued)

The Company applies FRS 117 to account for non-distinct investment components ("NDIC"). The profit and sliding scale commissions for reinsurance contracts held were the only NDIC identified by the Company.

(ii) *Separating promises to transfer distinct goods or non-insurance services*

After the Company has determined whether to separate embedded derivatives (if any) and investment components, it considers the separation of any promise to transfer goods or non-insurance services embedded in the contract. The Company separates from the host reinsurance contract only distinct promises to transfer goods or non-reinsurance services to a policyholder. Once separated, such promises are accounted for applying FRS 115.

In determining whether an obligation to deliver a good or non-insurance service promised to a policyholder is distinct, the Company considers whether the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder that are either sold separately or it is something that the policyholder already has.

A good or non-insurance service that is promised to the policyholder is not distinct if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components and the Company provides a significant service in integrating the good or non-insurance service with the insurance components.

The Company has not identified any distinct goods or non-insurance services.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(e) Level of Aggregation

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance and reinsurance contracts held into portfolios, the Company considers the similarity of risks rather than the specific labelling of the product lines. The Company determines that all contracts within each product line, as defined for management purposes, have similar risks and, therefore, represent a portfolio of contracts when they are managed together.

Each portfolio is sub-divided into groups of contracts to which the recognition and measurement requirements of FRS 117 are applied. At initial recognition, the Company segregates contracts into annual cohorts, based on Underwriting Year aligned to the financial reporting period.

A cohort contains all contracts that were issued within a 12-month period.

Each cohort is then further disaggregated into three separate profitability groups:

- A group of contracts that are onerous on initial recognition;
- No significant chance of becoming onerous; and
- Other profitable.

In determining the appropriate group, the Company measures a set of contracts together using reasonable and supportable information. The Company applies significant judgement in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information the Company assesses each contract individually.

The composition of groups established at initial recognition is not subsequently reassessed even if the contract becomes onerous. If the entire non-onerous group becomes onerous subsequently, then the loss component requirements will be triggered.

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(e) Level of Aggregation (continued)

For reinsurance contracts accounted for applying the PAA, FRS 117 permits the Company to assume no contracts in the portfolio are onerous, on initial recognition, unless there are facts and circumstances indicating otherwise. However, the Company has opted not to utilise this simplification and completes an onerous contract test at initial recognition.

Reinsurance contracts held

The determination of the level of aggregation for reinsurance contracts held is largely consistent with that of the assumed side as set out above. The Company identifies portfolios by aggregating reinsurance contracts held that are subject to similar risks and managed together. Specifically, for reinsurance contracts held, the risks that must be similar relate to those transferred from the underlying contract to the issuer of the reinsurance contract held. When deciding whether these risks are similar, reference must be made to the risk profile of underlying contracts as well as the nature of the risks that are transferred.

At initial recognition, the Company segregates contracts into annual cohorts, based on respective underwriting year aligned to the financial reporting period.

There is no difference between the determination of level of aggregation between insurance contracts issued and reinsurance contracts held.

(f) Recognition

The Company recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received); and
- When the Company determines that a group of contracts becomes onerous.

The Company recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period and new contracts are included to the group when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the group have been recognised.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(g) *Contract boundaries*

The Company includes in the measurement of a group of insurance contracts all the future cash flows expected to arise within the boundary of each of the contracts in the group.

In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws and regulations. The Company determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or the Company has a substantive obligation to provide the policyholder with services.

A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of a particular policyholder and as a result, change the price charged or the level of benefits provided for the price to fully reflect the new level of risk; or
- The boundary assessment is performed at a portfolio rather than individual contract level, there are two criteria that both need to be satisfied: the Company must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders and the Company's pricing must not consider any risks beyond the next reassessment date.

In determining whether all the risks have been reflected either in the premium or in the level of benefits, the Company considers all risks that policyholders would transfer had it issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Company concludes on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks that it would assess when assuming equivalent contracts on the renewal date for the remaining service. The assessment on the Company's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Company disregards restrictions that have no commercial substance. The Company also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. Judgement is required to decide whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(g) *Contract boundaries* (continued)

In estimating expected future cash flows of the group of contracts, the Company applies its judgement in assessing future policyholder behaviour surrounding the exercise of options available to them such as surrenders options, and other options falling within the contract boundary.

The Company assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations.

(h) *Measurement of insurance contracts under the PAA*

The Company applies the PAA to the measurement of its insurance and reinsurance contracts as:

- The coverage period of each contract in the group is one year or less, or
- Where the coverage period is longer than one year, the Company has performed an eligibility assessment and has determined that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

Insurance acquisition cash flows are allocated over the coverage period and in line with premium.

On initial recognition, the Company measures the liability for remaining coverage ("LRC") at the amount of premiums received, if any, based upon reports from ceding companies minus any insurance acquisition cash flows at that date.

The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the following:

- The premiums received from insurance contracts;
 - The amount of insurance revenue recognised for services provided in that period;
 - Insurance acquisition cash flows;
 - Any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period for the group; and
 - Any investment component paid or transferred to the liability for incurred claims.
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TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(h) Measurement of reinsurance contracts under the PAA (continued)

The Company has determined that there is no significant financing component in the insurance and reinsurance contracts issued. Consequently, the Company does not discount the LRC to reflect the time value of money and financial risk.

The carrying amount of the liability for incurred claim ("LIC") is measured similar to the GMM. The Company discounts the LIC cashflows regardless of whether the time from incurred date to settlement is greater than or less than a year.

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts excluding any investment component. The allocation is done on the basis of the passage of time. The Company applies judgement in determining the basis of allocation.

When facts and circumstances lead the Company to believe that a group under PAA has become onerous, the Company tests if the amount of the fulfilment cash flows exceeds the carrying amount of the LRC. The Company recognises a loss in profit or loss and increases the LRC for the corresponding amount as a loss component.

Acquisition costs now include operating expense paid that falls under the definition of directly attributable acquisition costs. Such acquisition costs will not be recognised as a separate asset, unless they refer to insurance contract acquisition cash flows that arise before the related insurance contracts are recognised. Operating expense is analysed for directly attributable maintenance costs. This expense will be included as part of insurance service expenses.

Insurance acquisition cash flows are allocated based on the passage of time as a portion of premium to profit or loss over the coverage period and in line with premium.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(i) *Onerous contracts*

The Company considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract plus any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on groups of contracts, assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises loss component in profit or loss, and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

(j) *Reinsurance contracts held*

The Company uses facultative and treaty reinsurance to mitigate some of its risks exposures. Reinsurance contracts held are accounted under FRS 117 when they meet the definition of an insurance contract, which includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts held transfer significant reinsurance risk only if they transfer to the reinsurer substantially all the reinsurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract held does not expose the issuer (reinsurer) to the possibility of a significant loss. The effect of non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

Reinsurance contracts held are accounted for separately from underlying insurance contracts issued and are assessed on an individual contract basis. In aggregating reinsurance contracts held, the Company disaggregates a portfolio of its reinsurance contracts held into two groups of contracts:

- Contracts that, on initial recognition, have a net gain; and
- Contracts that, on initial recognition, have a net loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(j) Reinsurance contracts held (continued)

In determining the timing of initial recognition of a reinsurance contract held, the Company assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Company recognises a group of reinsurance contracts held that provides proportionate coverage as the later of:

- The inception date for the reinsurance contract held treaty; and
- The recognition date of any of the underlying insurance policy (if the Company entered into the reinsurance contract held at or before that date).

The Company recognises a group of non-proportional reinsurance contracts held at the earliest of the inception date of the non-proportional reinsurance contract held or the date an underlying onerous group of contracts is recognised. Cash flows are within the boundary of a reinsurance contract held, if they arise from the substantive rights and obligations of the insured 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.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract held. Where an insurance contract has a contract boundary shorter than the one of the reinsurance contract held boundary, (e.g. in the case of a 90 day termination clause on the assumed treaty), it is assumed that the contract boundary of the reinsurance contract held is aligned with that of the assumed.

Reinsurance contracts held measured under the PAA

After establishing a reinsurance loss recovery component, except for further additions of onerous contracts to the underlying groups, its amount is adjusted for:

- Changes in fulfilment cash flows of underlying insurance contracts related to future service; and
- Loss recovery component reversals to the extent those reversals do not exceed the portion of the carrying amount of the loss component that the Company expects to recover from group of reinsurance contracts held.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(j) Reinsurance contracts held (continued)

Reinsurance contracts held measured under the PAA (continued)

These adjustments are calculated and presented in profit or loss.

Under the PAA, the initial measurement of the asset equals the reinsurance premium paid. The Company measures the amount relating to remaining service by allocating the premium paid over the coverage period of the group. The allocation is based on the passage of time or on an appropriate earning pattern.

Where the reinsurance contracts held covers a group of onerous underlying insurance contracts, the Company adjusts the carrying amount of the asset for remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on additional loss from a previously recognised onerous group of underlying insurance contracts. The recognition of this gain results in the establishment of a loss recovery component in respect of the group of reinsurance contracts held. This component is subsequently adjusted for any applicable changes.

(k) Modification and derecognition

The Company derecognises the original contracts and recognises the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

- (i) If the modified terms were included at contract inception and the Company would have concluded that the modified contract:
- is outside of the scope of FRS 117;
 - results in a different insurance contract due to separating components from the host contract;
 - results in a different contract boundary;
 - includes in a different group of contracts.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(k) Modification and derecognition (continued)

- (ii) The original contract was accounted applying the PAA, but the modified contract no longer meets the PAA eligibility criteria for that approach.

If the contract modification meets any of the conditions, the Company performs all assessments applicable at initial recognition, derecognises the original contract and recognises the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Company treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the PAA, the Company adjusts insurance revenue prospectively from the time of the contract modification.

The Company derecognises an insurance contract when, and only when the contract is:

- Extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- Modified and derecognition criteria are met.

When an insurance contract applying the PAA is derecognised, adjustments to the fulfilment cash flows to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- If the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
 - If the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;
 - If the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the Company would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.
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TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(l) *Presentation*

The Company has presented separately in the balance sheet the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Company disaggregates the amounts recognised in the statement of comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

Insurance revenue

As the Company provides insurance services under a group of insurance contracts issued, it reduces its Liability for Remaining Coverage ("LRC") and recognises insurance revenue, which is measured at the amount of consideration the Company expects to be entitled to in exchange for those services.

When applying PAA, the Company recognises insurance revenue for the period based on the passage of time by allocating premium receipts including premium experience adjustments to each period of service. However, when the expected pattern of release from risk during the coverage period differs significantly from the passage of time, then premium receipts are allocated based on the expected pattern of incurred reinsurance service expense.

At the end of each reporting period, the Company considers whether there was a change in facts and circumstances indicating a need to change, on a prospective basis, the premium receipt allocation due to changes in the expected pattern of claim occurrence for new and existing groups.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(l) *Presentation* (continued)

Insurance service expense

Insurance service expense arising from group insurance contracts issued comprises of:

- LIC related to claims and expenses incurred in the period excluding repayment of investment components;
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service);
- Other directly attributable expenses incurred in the period;
- Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both reinsurance service expense and insurance contract revenue; and
- Loss component of onerous groups of contracts initially recognised in the period.

Income or expenses from reinsurance contracts held

The Company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers; and
- An allocation of the reinsurance premiums paid, provided that together they equal total income or expenses from reinsurance contracts held.

The Company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurers which is then allocated to profit or loss.

Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk.

The Company has elected to recognise all insurance finance income and expense for the period through profit or loss.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

(m) Transition

The Company has adopted FRS 117 retrospectively, applying the full retrospective approach.

The Company concluded that reasonable and supportable information that was necessary to apply the full retrospective approach was available for all insurance contracts detailed above.

Applying the full retrospective approach, the Company identified, recognised and measured each group of insurance contracts and assets for insurance acquisition cash flows as if FRS 117 had always applied, derecognised any existing balances that would not exist had FRS 117 always been applied and recognised any resulting net difference in equity. As permitted under the transition requirements of FRS 117, the Company did not perform any impairment assessment on the assets for insurance acquisition cash flows relating to periods prior to transition.

Level of aggregation

The Company included contracts into groups of contracts issued more than one year apart as there was no reasonable and supportable information available to make the division.

Discount rates

In determining discount rates at the date of initial recognition, the Company used discount rates as at the date of transition.

2.3 Revenue recognition

Revenue is recognised as follows:

(a) Insurance revenue (see Note 2.2(l))

(b) Agent fee

The company is appointed by counterparties as an agent to settle insurance and claim recoveries, as well as to provide support services to other claim counterparties.

Fixed

A fixed fee will be billed to the counterparty based on pre-agreed contractual terms. The fees will be billed to the counterparty during the financial year and revenue is recognised based on the contract term on a systematic basis.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.3 Revenue recognition (continued)

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be reliably measured.

(e) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) on investment properties is recognised on a straight-line basis over the lease term.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Freehold land*

Freehold land is initially recognised at cost and subsequently carried at cost less accumulated impairment losses (Note 2.7).

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.7).

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if such an obligation is incurred as a consequence of acquiring or using the asset.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Buildings	50 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture and equipment	3 to 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.5 Investment properties

Investment properties comprise freehold land and buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

No depreciation is provided on freehold land. Depreciation on the buildings is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.5 Investment properties (continued)

The effects of any revision are included in profit or loss when the changes arise. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor impairment is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.6 Transferable club memberships

Transferable club memberships are stated at the lower of cost and net realisable value. An allowance for impairment is made where, in the opinion of the directors, there is a decline in value of such memberships. The amount of the allowance is recognised in profit or loss.

2.7 Impairment of non-financial assets

Property, plant and equipment, investment properties and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.8 Financial assets

(a) *Classification*

The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through other comprehensive income with no recycling to profit or loss ("FVOCI designated").

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

A financial asset is measured at amortised cost if the asset is held to collect its contractual cash flows and the asset's contractual cash flows represent solely payments of principal and interest ("SPPI").

A financial asset is measured at FVOCI if the asset is held to achieve an objective by both collecting contractual cash flows and selling financial assets, and the asset's contractual cash flows represent SPPI.

Financial assets should be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost.

The Company has elected to present fair value changes in other comprehensive income for equity securities acquired for strategic business purposes. Classifying as FVOCI designated in all gains and losses being presented in OCI and never reclassified to profit and loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.8 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss. However, the cumulative fair value gains or losses of an equity instrument classified at FVOCI is not transferred to profit or loss upon derecognition.

(c) Measurement

Financial assets are initially recognised at fair value plus transaction costs, unless they are measured at FVTPL.

After initial recognition, financial assets shall be measured in accordance to their respective classifications at amortised cost, fair value through other comprehensive income (designated), fair value through other comprehensive income or fair value through profit or loss. The amortised cost financial assets are carried at amortised cost using the effective interest method.

Interest and dividend income on financial assets are recognised separately in profit or loss. Changes in the fair values of financial assets measured at FVOCI are recognised in other comprehensive income and accumulated in the fair value reserve. However, all fair value gains and losses of designated FVOCI being presented in OCI will never reclassified to profit and loss. Changes in the fair values of financial assets measured at FVTPL are recognised in profit or loss. Any foreign exchange gains and losses on financial assets that are monetary items should be recognised in profit or loss.

(d) Impairment

A loss allowance shall be recognised for expected credit losses (“ECL”) at each balance sheet date on financial assets that are measured at amortised cost or FVOCI. Impairment assessment is not applicable to equity instruments and financial assets measured at FVTPL. The amount of impairment gain or loss is recognised in profit or loss or other comprehensive income accordingly.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.8 Financial assets (continued)

(d) *Impairment* (continued)

At each reporting date, the Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The formula used to calculate ECLs is shown below:

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{Discounted EAD}$$

Probability of default ("PD") is the likelihood that the obligator will default on the obligation.

Loss Given Default ("LGD") is the estimated amount of money loses when the obligator defaults.

Exposure at Default ("EAD") is the expected amount of exposure to a particular obligator at the point of default.

2.9 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.11 Other payables

Other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

2.12 Leases

(a) *When the Company is the lessee*

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- *Right-of-use assets*

The Company recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The average useful life of these right-of-use assets are between 2 to 5 years.

- *Lease liabilities*

Lease liabilities are initially measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.12 Leases (continued)

(a) When the Company is the lessee (continued)

• *Lease liabilities (continued)*

Lease payments may include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentive receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

For contracts that contain both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Company has elected to not separate lease and non-lease components for property leases and account these as one single lease component.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; and
- There are modifications in the scope or the consideration of the lease that was not part of the original terms.

Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.12 Leases (continued)

(a) When the Company is the lessee (continued)

- *Short-term and low value leases*

The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(b) When the Company is the lessor

Leases of investment properties where the Company retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2.13 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.13 Income taxes (continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.14 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund ("CPF") on a mandatory, contractual or voluntary basis. The Company has no future payment obligation once the contributions have been paid.

(b) *Employee leave entitlement*

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

2.15 Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2. Material accounting policy information (continued)

2.16 Currency translation

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

Transactions in a currency other than Singapore Dollar ("foreign currency") are translated into the Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Foreign exchange gains and losses impacting profit or loss for items not relating to insurance contracts are presented within "other expenses".

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.18 Share capital

Ordinary shares are classified as equity.

2.19 Dividends

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. 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 financial year 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Judgements made by management in the application of FRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the following financial year are discussed below.

Management has assessed the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates.

Critical accounting estimates are made by the management in applying accounting policies related to the measurement of insurance contract issued and reinsurance contract held assets and liabilities in accordance with FRS 117.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Application of Premium Allocation Approach

The Company applies the PAA to simplify the measurement as;

- (i) the coverage period of each contract in the group is one year or less; or
- (ii) where the coverage period is longer than one year, the Company has performed an eligibility assessment and has determined that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

In addition to considering PAA on direct and inwards basis, the Company also considered whether the outwards insurance contracts are eligible for measurement under the PAA measurement model.

The vast majority of the internal and external reinsurance agreements are automatically eligible as they are 1-year contracts. For those contracts that are not automatically eligible, a quantitative assessment was performed to prove eligibility.

The Company's policy is to carry out a qualitative and quantitative if required annual assessment to ensure eligibility for PAA is still met.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Liability for remaining coverage

Insurance Acquisition Costs

For contracts measured under the PAA, the Company has made the accounting policy choice to amortise contractual attributable acquisition costs over the coverage period of the contracts in line with premium. However, attributable underwriting costs are to be recognised as an expense immediately as incurred.

The Company applies judgement to allocate insurance acquisition cash flows to groups of insurance contracts as follows:

- (i) treat reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the insurance contract; and
- (ii) treat amounts the insurer expects to receive that are not contingent on claims of the underlying contracts as a reduction in the premium to be paid to the insurer.

Onerous groups

The Company is required to assess if facts and circumstances indicate that contracts are onerous at initial recognition. This is completed through an onerous contract test ("OCT"). This assessment determines if the Company expects the contracts to be profitable or loss-making after adjusting pricing data for FRS 117 assumptions, e.g. risk adjustment. Contracts identified as onerous at initial recognition are grouped separately from non-onerous contracts.

Subsequent to initial recognition, the Company is also required to reevaluate each group of contracts to ensure that facts and circumstances do not indicate that the group of contracts have become onerous.

If facts and circumstances show contracts are onerous at initial recognition or have become onerous subsequently, then an additional liability for remaining coverage is calculated.

The additional liability for remaining coverage requires the calculation of fulfilment cashflows. The fulfilment cashflows are made up of two components:

- The expected present value of future cashflow ("PVFC"): this is probability-weighted average of future cash-flows, taking account of the time value of money, using the discount rates. Insurance liabilities are to be valued on a best estimate basis.
- Risk Adjustment ("RA"): this is the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Liability for incurred claims

If the time to the payment or receipt of cash flows is expected to be 1 year or less from the date that the claims are incurred, then discounting may be ignored for those cash flows in the calculation of the LIC. However, given the time to payment or receipt of cashflows is often greater than 1 year, the Company will discount all best estimate cash flows ("BECFs") in the calculation of the LIC. The BECFs are discounted at the prevailing discount rates at the valuation date.

Expenses

Expense assumptions must be best estimate and reflect all reasonable and supportable evidence available without undue cost or effort. The expenses that form part of the Fulfilment Cash Flows reflect directly attributable expenses only.

Expense assumptions for LIC are set for maintenance expenses such as claims handling fees and other direct attributable expense.

Expense assumptions are expressed in the form of percentages by applying appropriate drivers and variables (e.g. premiums, claims).

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid government securities.

The illiquidity premium is determined by reference to observable market rates of fixed income instruments with durations similar to the liability cashflows e.g. AAA rated covered bond yields. This illiquidity premium can differ by product and the type of reserve. The Company's assets backing the liabilities are generally short-term and highly liquid such as cash, bond and fixed deposit. As such, the Company have chosen to adopt 0% illiquidity adjustment to the risk-free rate.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies i.e. Singapore Dollars:

	1 year		3 years		5 years		10 years	
%	2023	2022	2023	2022	2023	2022	2023	2022
SGD	3.75	4.24	2.86	2.47	2.68	2.83	2.71	3.09

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Liability for incurred claims (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. A risk adjustment for the LIC is developed for use in measuring all contracts under the PAA. A risk adjustment for the LRC is developed for use in measuring onerous contracts only.

The Company has estimated the risk adjustment using a confidence level technique for both the LIC and the LRC, with the risk adjustment being calibrated at 90th percentiles.

The Company's confidence level is estimated by fitting a distribution to the mean and the 90th percentile, which is determined from the internal company policies.

Sensitivity analysis

The purpose of the sensitivity analysis is to address sensitivity of judgements and assumptions used to changes in the actuarial valuation of the Company's insurance contract assets and insurance contract liabilities net of the effect from reinsurance contracts held as at 31 December 2023.

The table below summarises the effect of the Company's insurance contract assets and insurance contract liabilities net of the effect from reinsurance contracts held to key variables affecting insurance risk exposures. This analysis assumes all other variables remain constant. Management believes the sensitivity analysis provided is indicative of the potential variability inherent in the estimation of those parameters. The effects on liabilities are mainly as below:

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Liability for incurred claims (continued)

Sensitivity analysis (continued)

(a) *Liability for incurred claim sensitivity analysis*

31-Dec-23 \$'000	Change in assumptions	Impact on liability	
		+5%	-5%
Gross of reinsurance			
- Initial Expected Loss Ratio/ First Incurred Development Factor		15,708	(15,871)
- Claim Handling Expenses		3,745	(3,745)
- Risk adjustment		4,604	(4,604)
		24,057	(24,220)
Net of reinsurance			
- Initial Expected Loss Ratio/ First Incurred Development Factor		6,027	(6,100)
- Claim Handling Expenses		3,715	(3,715)
- Risk adjustment		3,358	(3,358)
		13,100	(13,173)

31-Dec-23 \$'000	Change in assumptions	Impact on profit and loss before tax	
		+5%	-5%
Net of reinsurance			
- Initial Expected Loss Ratio/ First Incurred Development Factor		6,027	(6,100)
- Claim Handling Expenses		3,715	(3,715)
- Risk adjustment		3,358	(3,358)
		13,100	(13,173)

31-Dec-23 \$'000	Change in assumptions	Impact on equity	
		+5%	-5%
Net of reinsurance			
- Initial expected loss ratio/ First incurred development factor		4,973	(5,033)
- Claim handling expenses		3,065	(3,065)
- Risk adjustment		2,770	(2,770)
		10,808	(10,868)

31-Dec-22 \$'000	Change in assumptions	Impact on liability	
		+5%	-5%
Gross of reinsurance			
- Initial expected loss ratio/ First incurred development factor		12,215	(12,356)
- Claim handling expenses		3,966	(3,966)
- Risk adjustment		5,487	(5,487)
		21,668	(21,809)
Net of reinsurance			
- Initial expected loss ratio/ First incurred development factor		5,860	(5,909)
- Claim handling expenses		3,943	(3,943)
- Risk adjustment		3,373	(3,373)
		13,176	(13,225)

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Liability for incurred claims (continued)

Sensitivity analysis (continued)

(a) *Liability for incurred claim sensitivity analysis (continued)*

31-Dec-22 \$'000	Change in assumptions	Impact on profit and loss before tax	
		+5%	-5%
Net of reinsurance			
- Initial expected loss ratio/ First incurred development factor		5,860	(5,909)
- Claim handling expenses		3,943	(3,943)
- Risk adjustment		3,373	(3,373)
		13,176	(13,225)

31-Dec-22 \$'000	Change in assumptions	Impact on equity	
		+5%	-5%
Net of reinsurance			
- Initial expected loss ratio/ First incurred development factor		4,835	(4,875)
- Claim handling expenses		3,253	(3,253)
- Risk adjustment		2,783	(2,783)
		10,871	(10,911)

(b) *Liability for remaining coverage sensitivity analysis*

31-Dec-23 \$'000	Change in assumptions	Impact on liability	
		+5%	-5%
Gross of reinsurance			
- Ultimate loss ratio		3,429	-
- Management expense ratio		641	-
- Risk adjustment		941	(68)
		5,011	(68)

Net of reinsurance			
- Ultimate Loss Ratio		5,997	(1,826)
- Management expense ratio		3,005	(1,826)
- Risk adjustment		2,191	(1,894)
		11,193	(5,546)

31-Dec-23 \$'000	Change in assumptions	Impact on profit and loss before tax	
		+5%	-5%
Net of reinsurance			
- Ultimate loss ratio		5,997	(1,826)
- Management expense ratio		3,005	(1,826)
- Risk adjustment		2,191	(1,894)
		11,193	(5,546)

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

Liability for incurred claims (continued)

Sensitivity analysis (continued)

(b) Liability for remaining coverage sensitivity analysis (continued)

31-Dec-23 \$'000	Change in assumptions	Impact on equity	
		+5%	-5%
Net of reinsurance			
- Ultimate loss ratio		4,948	(1,507)
- Management expense ratio		2,479	(1,507)
- Risk adjustment		1,808	(1,563)
		9,235	(4,577)

31-Dec-22 \$'000	Change in assumptions	Impact on liability	
		+5%	-5%
Net of reinsurance			
- Ultimate loss ratio		5,493	(3,550)
- Management expense ratio		2,609	(2,609)
- Risk adjustment		2,085	(2,085)
		10,187	(8,244)

31-Dec-22 \$'000	Change in assumptions	Impact on profit and loss before tax	
		+5%	-5%
Net of reinsurance			
- Ultimate loss ratio		5,493	(3,550)
- Management expense ratio		2,609	(2,609)
- Risk adjustment		2,085	(2,085)
		10,187	(8,244)

31-Dec-22 \$'000	Change in assumptions	Impact on equity	
		+5%	-5%
Net of reinsurance			
- Ultimate loss ratio		4,531	(2,929)
- Management expense ratio		2,152	(2,152)
- Risk adjustment		1,720	(1,720)
		8,403	(6,801)

3.1 Impairment losses on financial assets

The measurement of impairment losses under FRS 109 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Critical accounting estimates, assumptions and judgements (continued)

3.2 Determining the fair value of unquoted investments

The Company holds financial assets which are not quoted on active markets, particularly its unlisted equities. The fair value of these unlisted equities are estimated using a variety of valuation techniques, including the use of recent arm's length transactions or reference to instruments that are substantially the same or at cost if these are not available. The assumption for valuation at cost will be affected by change in credit risk and interest rate and may have a negative impact on the financial statements.

3.3 Uncertain tax positions

In determining the income tax liabilities, management has estimated the amount of capital allowances and the taxability/deductibility of certain income/expense ("uncertain tax positions"). At the balance sheet date, the Company has several open tax assessments with the tax authority. The Company has recognised the tax liability on these uncertain tax positions.

4. Segment information

Segment information may be reconciled to the income statement as shown below:

	Singapore Insurance Fund ("SIF")	Offshore Insurance Fund ("OIF")	Brunei Fund ("BF")	Offshore Insurance Fund ("OG")	Shareholder's Fund ("NF")	Total
S\$'000						
Year ended						
31 December 2023						
Insurance revenue	177,175	41,760	12,499	-	-	231,434
Insurance service expenses	(159,883)	(18,176)	(10,885)	-	-	(188,944)
Net expenses from reinsurance contracts held	6,309	(21,616)	(1,309)	-	-	(16,616)
Insurance service result	23,601	1,968	305	-	-	25,874
Investment return on Financial assets not measured at fair value through profit or loss	8,475	1,061	483	415	1,763	12,197
Financial assets measured at fair value through profit or loss	4,062	603	-	-	1,230	5,895
Net credit impairment loss on financial assets	(16)	(2)	37	-	19	38
Net investment result	12,521	1,662	520	415	3,012	18,130
Net finance expenses from reinsurance contracts held	(1,556)	(248)	(2)	-	-	(1,806)
Net finance income from insurance contracts	1,200	196	(19)	-	-	1,377
Net insurance finance (expenses)/income	(356)	(52)	(21)	-	-	(429)
Fee income	-	-	-	4,738	-	4,738
Other operating income	1,506	-	-	-	7,164	8,670
Other expenses	(1,405)	(62)	(111)	(2,803)	(3,747)	(8,128)
Profit before tax	35,867	3,516	693	2,350	6,429	48,855

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4. Segment information (continued)

Segment information may be reconciled to the income statement as shown below:

	Singapore Insurance Fund ("SIF")	Offshore Insurance Fund ("OIF")	Brunei Fund ("BF")	Offshore Insurance Fund ("OG")	Shareholder's Fund ("NF")	Total
S\$'000						
Year ended						
31 December 2022						
Insurance revenue	171,286	39,170	12,131	-	-	222,587
Insurance service expenses	(107,293)	(34,036)	(8,661)	-	-	(149,990)
Net expenses from reinsurance contracts held	(41,941)	(2,302)	(1,801)	-	-	(46,044)
Insurance service result	22,052	2,832	1,669	-	-	26,553
Investment return on AFS financial assets	8,933	1,022	250	128	2,068	12,401
Net investment result	8,933	1,022	250	128	2,068	12,401
Net finance expenses from reinsurance contracts held	(743)	(335)	(25)	-	-	(1,103)
Net finance income from insurance contracts	3,083	450	213	-	-	3,746
Net insurance finance income	2,340	115	188	-	-	2,643
Fee income	-	241	-	3,987	-	4,228
Other operating income	1,409	-	-	-	7,012	8,421
Other expenses	(1,153)	(61)	(103)	(2,262)	(3,821)	(7,400)
Profit before tax	33,581	4,149	2,004	1,853	5,259	46,846

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5. Insurance revenue and insurance service result

	2023 \$'000	2022 \$'000 (Restated)
Insurance revenue:		
- Insurance revenue from contracts measured under the PAA	231,434	222,587
	231,434	222,587
Insurance service expenses:		
- Incurred claims	(81,999)	(89,091)
- Other directly attributable expenses	(9,673)	(9,559)
- Changes that relate to current service - adjustments to LIC	(69,809)	(49,186)
- Changes that relate to past service - adjustments to LIC	24,635	47,430
- Losses on onerous contracts and reversal of those losses	1,341	194
- Insurance acquisition cash flows amortisation	(53,439)	(49,778)
	(188,944)	(149,990)
Net income/(expenses) from reinsurance contracts held		
- Reinsurance expenses from contracts measured under the PAA	(113,114)	(106,322)
- Claims recovered and benefits covered from reinsurers	50,322	65,319
- Changes that relate to current service - adjustments to AFC	39,651	13,633
- Changes that relate to past service - adjustments to AFC	6,595	(18,713)
- Effect of changes in non-performance risk for reinsurers	(70)	39
	(16,616)	(46,044)
Total insurance service result	25,874	26,553

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6. Net investment result and insurance finance (expenses)/income

	2023 \$'000	2022 \$'000 (Restated)
Net gains on financial assets measured at FVTPL		
- Dividend income from equity securities	2,366	-
- Net change in fair value from equity securities measured at FVTPL	3,529	-
	5,895	-
Net gains on financial assets not measured at FVTPL:		
Dividend income from:		
- Available-for-sale equity investments	-	2,593
	-	2,593
Interest income from financial assets not measured at FVTPL:		
- Government and public authority securities	4,146	4,028
- Debt securities issued by corporations	4,813	4,856
	8,959	8,884
- Fixed deposits with financial institutions	3,480	1,035
	12,439	9,919
Net gain/(loss) on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal:		
- Government and public authority securities	25	(42)
- Debt securities issued by corporations	(267)	(69)
	(242)	(111)
	12,197	12,401
Net credit impairment (losses)/gains:		
- Government and public authority securities	(51)	-
- Debt securities issued by corporations	93	-
	42	-
- Fixed deposits with financial institutions	(4)	-
	38	-
Total net investment income	18,130	12,401
Net finance expenses from reinsurance contracts	(1,806)	(1,103)
Net finance income from insurance contracts	1,377	3,746
Net insurance finance (expenses)/income	(429)	2,643
Summary of the amounts recognised in profit or loss:		
- Net investment income	18,130	12,401
- Net insurance finance (expenses)/income	(429)	2,643
	17,701	15,044

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7. Other income

(a) Agent fees

	2023	2022
	\$'000	\$'000
		(Restated)
Agent fees - Fixed	<u>4,738</u>	<u>4,228</u>

Other assets from contracts with customers

	2023	2022
	\$'000	\$'000
Other assets:		
<i>Current</i>		
- Fellow subsidiaries	<u>24,355</u>	<u>23,947</u>

(b) Other operating income

	2023	2022
	\$'000	\$'000
		(Restated)
Rental income from investment properties (Note 14):		
- Ultimate holding corporation	36	53
- Fellow subsidiaries	980	1,565
- Non-related parties	6,800	5,947
	<u>7,816</u>	<u>7,565</u>
Gain on disposal of property, plant and equipment	-	15
Claim management fee paid by intermediate holding corporation	96	116
Service fee paid by immediate holding company	64	60
Property management fee paid by a fellow subsidiary	35	33
Facilities charges paid by fellow subsidiaries	344	313
Sundry income	315	319
	<u>8,670</u>	<u>8,421</u>

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For the financial year ended 31 December 2023

8. Expenses by nature

(a) Employee compensation

	2023 \$'000	2022 \$'000 (Restated)
Wages and salaries	19,138	18,086
Employer's contribution to defined contribution plans including Central Provident Fund ("CPF")	1,757	1,780
	<u>20,895</u>	<u>19,866</u>
Deferred acquisition cost - Employee compensation	(454)	180
	<u>20,441</u>	<u>20,046</u>
Employee compensation charged to:		
- Amount attributable to insurance acquisition cash flows	11,527	11,553
- Other directly attributable expenses	6,996	6,976
Insurance service expenses (Note 5)	18,523	18,529
Other expenses	1,918	1,517
	<u>20,441</u>	<u>20,046</u>

(b) Depreciation expenses

	2023 \$'000	2022 \$'000 (Restated)
Depreciation of property, plant and equipment (Note 15):		
- Buildings	369	367
- Motor vehicles	154	156
- Furniture and equipment	1,045	811
	<u>1,568</u>	<u>1,334</u>
Depreciation of investment properties (Note 14): Buildings	736	739
Depreciation of right-of-use assets (Note 16(a)): Property	600	476
	<u>2,904</u>	<u>2,549</u>
Deferred acquisition cost - Depreciation	(137)	73
	<u>2,767</u>	<u>2,622</u>
Depreciation expenses charged to:		
- Amount attributed to insurance acquisition cash flows	1,021	1,009
- Other directly attributable expenses	563	473
Insurance service expenses (Note 5)	1,584	1,482
Other expenses	1,183	1,140
	<u>2,767</u>	<u>2,622</u>

(c) Commissions

	2023 \$'000	2022 \$'000 (Restated)
Commissions charged to Amount attributable to insurance acquisition cash flows (Note 5)	<u>36,154</u>	<u>32,764</u>

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For the financial year ended 31 December 2023

8. Expenses by nature (continued)

(d) Other operating expenses

	2023 \$'000	2022 \$'000 (Restated)
Computer services and expenses	3,107	3,079
Building maintenance expenses	2,091	2,121
Management fee to a fellow subsidiary	1,188	1,270
Investment management fee to a fellow subsidiary	504	526
Directors' fee	161	150
Internal audit fee to a fellow subsidiary	183	240
Professional fee	1,713	1,559
Professional fee to a fellow subsidiary	133	241
Risk engineering survey fee to fellow subsidiaries	117	102
Consultancy fee to a fellow subsidiary	41	-
Distribution and marketing expenses	508	376
Lease expense - short-term leases (Note 16(c))	244	147
Printing and stationery	170	132
Postage, telephone and telex charges	279	254
Bank charges	338	365
Gain on lease modification	-	(1)
Currency exchange loss	599	334
Interest expense on lease liabilities (Note 16(b))	44	19
Other expenses	590	651
	12,010	11,565
Deferred acquisition cost - other operating expenses	(132)	(260)
	11,878	11,305
Other operating expenses charged to:		
- Amount attributed to insurance acquisition cash flows	4,737	4,452
- Other directly attributable expenses	2,114	2,110
Insurance service expenses (Note 5)	6,851	6,562
Other expenses	5,027	4,743
	11,878	11,305
Summary of expenses charged to:		
- Amount attributed to insurance acquisition cash flows	53,439	49,778
- Other directly attributable expenses	9,673	9,559
Insurance service expenses (Note 5)	63,112	59,337
Other expenses	8,128	7,400
	71,240	66,737

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9. Income taxes

(a) *Income tax expense*

	2023	2022
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
- Current income tax (Note 9(b))		
- Singapore	9,011	5,946
- Foreign	146	216
	9,157	6,162
- Deferred income tax (Note 19)	426	445
	9,583	6,607
- Over provision in prior financial years		
- Current income tax (Note 9(b))		
- Singapore	(710)	(1,218)
- Foreign	-	(9)
	(710)	(1,227)
	8,873	5,380

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2023	2022
	\$'000	\$'000
Profit before tax	48,855	46,846
Tax calculated at a tax rate of 17% (2022: 17%)	8,305	7,963
Effects of:		
- Different tax rates in other countries	6	23
- Tax incentives	(1,842)	(1,331)
- Different tax basis	2,618	(363)
- Expenses not deductible for tax purposes	214	212
- Income not subject to tax	(181)	(170)
- Over provision of tax in prior financial years	(710)	(1,227)
- Others	463	273
Tax charge	8,873	5,380

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

9. Income taxes (continued)

(b) Movement in current income tax liabilities

	2023 \$'000	2022 \$'000
Beginning of financial year	8,844	10,494
Income tax paid	(6,068)	(6,585)
Tax expense (Note 9(a))	9,157	6,162
Over provision in prior years (Note 9(a))	(710)	(1,227)
End of financial year	<u>11,223</u>	<u>8,844</u>

10. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank and on hand	14,521	13,038
Fixed deposits with financial institutions		
- Maturing within 12 months	106,096	88,093
Less: credit impairment	(294)	-
Fixed deposits net of impairment	<u>105,802</u>	<u>88,093</u>
Cash and cash equivalents	<u>120,323</u>	<u>101,131</u>

Cash and cash equivalents were denominated in the following currencies:

	2023 \$'000	2022 \$'000
Singapore Dollar	73,543	62,512
Brunei Dollar	16,172	17,186
United States Dollar	27,688	19,582
Australian Dollar	2,685	1,760
Malaysian Ringgit	80	25
New Zealand Dollar	122	31
Euro	33	35
	<u>120,323</u>	<u>101,131</u>

The Company has fixed deposits with financial institutions with an average maturity of 90 days (2022: 107 days) from the end of the financial year with the following weighted average effective interest rates:

	2023 %	2022 %
Singapore Dollar	3.81	3.63
Brunei Dollar	2.59	1.50
United States Dollar	5.03	4.36
Australian Dollar	<u>2.58</u>	<u>1.57</u>

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 22(g).

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11. Other assets

	2023	2022
	\$'000	\$'000
		(Restated)
Other assets:		
Current		
- Fellow subsidiaries	24,355	23,947
- Deposits	296	396
- Interest receivable from non-related parties	3,402	3,167
- Claim management fee due from intermediate holding corporation	32	12
- Sundry expenses due from fellow subsidiaries	35	21
- Sundry debtors	1,252	1,315
- Prepayments	436	429
- Miscellaneous receivables	54	5
	29,862	29,292
Non-current		
- Transferable club membership	936	807
	30,798	30,099

Other assets due from related companies are non-interest bearing and have no specific credit terms. Balances are typically settled after 90 days. Non-trade receivables assets from related companies are unsecured, interest-free and repayable on demand. Other assets comprise mainly interest income receivable, receivables from sale of financial assets, transferable club membership and miscellaneous deposits.

The exposures to interest rate risk and credit risk are disclosed in Note 22(g) and Note 22(j) respectively.

Other assets were denominated in the following currencies at the balance sheet date:

	2023	2022
	\$'000	\$'000
		(Restated)
Thai Baht	14,149	12,289
United States Dollar	4,278	420
Malaysian Ringgit	3,573	4,589
Philippine Peso	2,580	3,208
Singapore Dollar	291	1,824
Brunei Dollar	220	109
Others	5,707	7,660
	30,798	30,099

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For the financial year ended 31 December 2023

12. Investment assets

	2023 \$'000	2022 \$'000 (Restated)
Beginning of financial year	345,565	406,262
Additions	18,036	44,831
Disposals	(25,191)	(58,844)
Amortisation	(193)	(217)
Net FV gain recognised in profit and loss – FVTPL	3,529	-
Net FV gain recognised in OCI – designated at FVOCI	133	-
Net FV gain/(losses) recognised in OCI – FVOCI	15,626	(46,467)
End of financial year	<u>357,505</u>	<u>345,565</u>
Current	79,292	64,859
Non-current	<u>278,213</u>	<u>280,706</u>
	<u>357,505</u>	<u>345,565</u>

At the balance sheet date, investment assets included the following:

	2023 \$'000	2022 \$'000
Equity securities:		
- Measured at FVTPL	59,425	-
- Designated at FVOCI	1,924	-
- Available for sale	-	60,172
	<u>61,349</u>	<u>60,172</u>
Fixed Income Securities:		
Measured at FVOCI:		
- Government and public authority securities	156,597	147,178
- Debt securities issued by corporations	139,559	138,215
	<u>296,156</u>	<u>285,393</u>
Balance at end of financial year	<u>357,505</u>	<u>345,565</u>

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For the financial year ended 31 December 2023

12. Investment assets (continued)

The weighted average effective interest rates for the interest-bearing financial assets are as follows:

	2023	2022
	%	%
Government and public authority securities	2.54	2.52
Debt securities issued by corporations	3.36	3.27

The maturity of the interest-bearing financial assets is as follows:

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	More than 5 years \$'000	Total \$'000
2023					
Government and public authority securities	6,718	7,797	35,062	107,020	156,597
Debt securities issued by corporations	13,148	20,959	63,960	41,492	139,559
	19,866	28,756	99,022	148,512	296,156
2022					
Government and public authority securities	2,258	6,672	35,923	102,325	147,178
Debt securities issued by corporations	4,220	13,194	71,755	49,046	138,215
	6,478	19,866	107,678	151,371	285,393

Investment assets were denominated in the following currencies at the balance sheet date.

	2023	2022
	\$'000	\$'000
Singapore Dollar	355,581	343,774
Philippine Peso	1,924	1,791
	357,505	345,565

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

13. Insurance contracts and reinsurance contracts held

(a) *Analysis by remaining coverage and incurred claims of insurance contracts measured under the PAA*

	Notes	Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
\$'000						
Opening assets		-	-	-	-	-
Opening liabilities		70,132	6,902	131,873	19,961	228,868
Net opening balance		70,132	6,902	131,873	19,961	228,868
Insurance revenue	5	(231,434)	-	-	-	(231,434)
Insurance service expenses	5					
Incurred claims and other insurance service expenses		-	-	91,672	-	91,672
Amortisation of insurance acquisition cash flows		53,439	-	-	-	53,439
Losses and reversal of losses on onerous contracts		-	(1,341)	-	-	(1,341)
Changes that relate to current service - adjustments to LIC		-	-	55,100	14,709	69,809
Changes that relate to past service - adjustments to LIC		-	-	(24,635)	-	(24,635)
Total insurance service expenses		53,439	(1,341)	122,137	14,709	188,944
Insurance service result		(177,995)	(1,341)	122,137	14,709	(42,490)
Net finance income from insurance contracts	6	-	-	(1,006)	(371)	(1,377)
Total changes in the income statement and statement of comprehensive income		(177,995)	(1,341)	121,131	14,338	(43,867)
Cash flows						
Premiums received		237,452	-	-	-	237,452
Claims and other insurance service expenses paid, including investment components		-	-	(91,671)	-	(91,671)
Insurance acquisition cash flows paid		(55,798)	-	-	-	(55,798)
Total cash flows		181,654	-	(91,671)	-	89,983
Closing assets		-	-	-	-	-
Closing liabilities		73,791	5,561	161,333	34,299	274,984
Net closing balance		73,791	5,561	161,333	34,299	274,984

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For the financial year ended 31 December 2023

13. Insurance contracts and reinsurance contracts held (continued)

(a) Analysis by remaining coverage and incurred claims of insurance contracts measured under the PAA (continued)

	Notes	Year ended 31 December 2022				Total
		Liabilities for remaining coverage	Liabilities for incurred claims	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
\$'000						
Opening assets		-	-	-	-	-
Opening liabilities		66,999	7,096	133,901	19,923	227,919
Net opening balance		66,999	7,096	133,901	19,923	227,919
Insurance revenue	5	(222,587)	-	-	-	(222,587)
Insurance service expenses	5	-	-	98,650	-	98,650
Incurred claims and other insurance service expenses		49,778	-	-	-	49,778
Amortisation of insurance acquisition cash flows		-	(194)	-	-	(194)
Losses and reversal of losses on onerous contracts		-	-	48,783	403	49,186
Changes that relate to current service - adjustments to LIC		-	-	(47,430)	-	(47,430)
Changes that relate to past service - adjustments to LIC		-	-	-	-	-
Total insurance service expenses		49,778	(194)	100,003	403	149,990
Insurance service result		(172,809)	(194)	100,003	403	(72,597)
Net finance income from insurance contracts	6	-	-	(3,381)	(365)	(3,746)
Total changes in the income statement and statement of comprehensive income		(172,809)	(194)	96,622	38	(76,343)
Cash flows						
Premiums received		226,942	-	-	-	226,942
Claims and other insurance service expenses paid, including investment components		-	-	(98,650)	-	(98,650)
Insurance acquisition cash flows paid		(51,000)	-	-	-	(51,000)
Total cash flows		175,942	-	(98,650)	-	77,292
Closing assets		-	-	-	-	-
Closing liabilities		70,132	6,902	131,873	19,961	228,868
Net closing balance		70,132	6,902	131,873	19,961	228,868

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

13. Insurance contracts and reinsurance contracts held (continued)

(b) *Analysis by remaining coverage and incurred claims of reinsurance contracts measured under the PAA*

	Notes	Year ended 31 December 2023				
		Asset for remaining coverage Excluding loss-recovery component	Loss-recovery component	Asset for incurred claims Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets		(27,843)	(3,477)	(56,059)	(8,225)	(95,604)
Opening liabilities		-	-	-	-	-
Net opening balance		(27,843)	(3,477)	(56,059)	(8,225)	(95,604)
Insurance contract revenue ceded to reinsurers	5	113,114	-	-	-	113,114
Amounts recoverable from reinsurers	5	-	-	(50,322)	-	(50,322)
Claims recovered and benefits covered from reinsurers		-	-	(29,448)	(11,242)	(40,690)
Changes that relate to current service - adjustments to LIC		-	-	(6,595)	-	(6,595)
Changes that relate to past service - adjustments to LIC		-	-	-	-	-
Changes in fulfilment cash flows which relates to onerous underlying contracts		-	1,039	-	-	1,039
Effect of changes in the risk of reinsurers non-performance		70	-	-	-	70
Total amounts recoverable from reinsurers		70	1,039	(86,365)	(11,242)	(96,498)
Net expense/(income) from reinsurance contract held		113,184	1,039	(86,365)	(11,242)	16,616
Net finance expense from reinsurance contracts		-	-	1,378	428	1,806
Total changes in the income statement and statement of comprehensive income	6	113,184	1,039	(84,987)	(10,814)	18,422
Reinsurance investment components cash flows		1,045	-	(1,045)	-	-
Premiums paid net of ceding commissions and other directly attributable expenses paid		(115,155)	-	-	-	(115,155)
Recoveries from reinsurance		-	-	55,165	-	55,165
Total cash flows		(115,155)	-	55,165	-	(59,990)
Closing assets		(28,769)	(2,438)	(86,926)	(19,039)	(137,172)
Closing liabilities		-	-	-	-	-
Net closing balance		(28,769)	(2,438)	(86,926)	(19,039)	(137,172)

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For the financial year ended 31 December 2023

13. Insurance contracts and reinsurance contracts held (continued)

(b) Analysis by remaining coverage and incurred claims of reinsurance contracts measured under the PAA (continued)

	Notes	Year ended 31 December 2022				Total
		Assets for remaining coverage Excluding loss-recovery component	Loss-recovery component	Assets for incurred claims Estimate of present value of future cash flows	Risk adjustment for non-financial risk	
\$'000						
Opening assets		(30,021)	(3,723)	(59,823)	(9,146)	(102,713)
Opening liabilities		-	-	-	-	-
Net opening balance		(30,021)	(3,723)	(59,823)	(9,146)	(102,713)
Insurance contract revenue ceded to reinsurers	5	106,322	-	-	-	106,322
Amounts recoverable from reinsurers	5	-	-	(65,319)	-	(65,319)
Claims recovered and benefits covered from reinsurers		-	-	(14,649)	770	(13,879)
Changes that relate to current service - adjustments to LIC		-	-	18,713	-	18,713
Changes that relate to past service - adjustments to LIC		-	-	-	-	-
Changes in fulfilment cash flows which relates to onerous underlying contracts		-	246	-	-	246
Effect of changes in the risk of reinsurers non-performance		(39)	-	-	-	(39)
Total amounts recoverable from reinsurers		(39)	246	(61,255)	770	(60,278)
Net expense/(income) from reinsurance contract held		106,283	246	(61,255)	770	46,044
Net finance expense from reinsurance contracts		-	-	952	151	1,103
Total changes in the income statement and statement of comprehensive income	6	106,283	246	(60,303)	921	47,147
Reinsurance investment components		468	-	(468)	-	-
Cash flows		(104,573)	-	-	-	(104,573)
Premiums paid net of ceding commissions and other directly attributable expenses paid		-	-	64,535	-	64,535
Recoveries from reinsurance		(104,573)	-	64,535	-	(40,038)
Total cash flows		(27,843)	(3,477)	(56,059)	(8,225)	(95,604)
Closing assets		-	-	-	-	-
Closing liabilities		(27,843)	(3,477)	(56,059)	(8,225)	(95,604)
Net closing balance		(27,843)	(3,477)	(56,059)	(8,225)	(95,604)

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14. Investment properties

	<u>Freehold land</u> \$'000	<u>Buildings</u> \$'000	<u>Total</u> \$'000
2023			
Cost			
Beginning of financial year	13,988	36,916	50,904
Transfer to Property, plant and equipment (Note 15)	(81)	(278)	(359)
End of financial year	<u>13,907</u>	<u>36,638</u>	<u>50,545</u>
Accumulated depreciation			
Beginning of financial year	-	10,661	10,661
Transfer to Property, plant and equipment (Note 15)	-	(76)	(76)
Depreciation charge (Note 8(b))	-	736	736
End of financial year	<u>-</u>	<u>11,321</u>	<u>11,321</u>
Net book value at end of financial year	<u>13,907</u>	<u>25,317</u>	<u>39,224</u>
2022			
Cost			
Beginning and end of financial year	<u>13,988</u>	<u>36,916</u>	<u>50,904</u>
Accumulated depreciation			
Beginning of financial year	-	9,922	9,922
Depreciation charge (Note 8(b))	-	739	739
End of financial year	<u>-</u>	<u>10,661</u>	<u>10,661</u>
Net book value at end of financial year	<u>13,988</u>	<u>26,255</u>	<u>40,243</u>

At the balance sheet date, the Company has considered the valuation of similar properties provided by an independent professional valuer as an indicative desktop valuation of the investment properties. The fair value of its investment properties was determined to be \$290,910,000 (2022:\$292,590,000).

The investment properties of the Company are registered as Level 3 of the fair value measurement hierarchy. Under the sales comparison approach, the recent sales prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location, condition of the properties. The most significant input into this valuation approach is selling price per square foot.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

14. Investment properties (continued)

The following amounts in relation to investment properties are recognised in profit or loss:

	2023	2022
	\$'000	\$'000
Rental income (Note 7(b))	7,816	7,565
Direct operating expenses arising from investment properties that generate rental income	(2,483)	(2,566)

15. Property, plant and equipment

	Freehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture and equipment \$'000	Total \$'000
2023						
Cost						
Beginning of financial year	3,459	18,356	21,916	1,277	12,349	57,357
Transfer from Investment properties (Note 14)	81	278	-	-	-	359
Additions	-	-	-	-	1,464	1,464
Disposals	-	-	-	-	(427)	(427)
End of financial year	<u>3,540</u>	<u>18,634</u>	<u>21,916</u>	<u>1,277</u>	<u>13,386</u>	<u>58,753</u>
Accumulated depreciation						
Beginning of financial year	-	5,098	21,916	759	11,442	39,215
Transfer from Investment properties (Note 14)	-	76	-	-	-	76
Depreciation charge (Note 8(b))	-	369	-	154	1,045	1,568
Disposals	-	-	-	-	(427)	(427)
End of financial year	<u>-</u>	<u>5,543</u>	<u>21,916</u>	<u>913</u>	<u>12,060</u>	<u>40,432</u>
Net book value at end of financial year	<u>3,540</u>	<u>13,091</u>	<u>-</u>	<u>364</u>	<u>1,326</u>	<u>18,321</u>
2022						
Cost						
Beginning of financial year	3,459	18,356	21,916	1,233	12,281	57,245
Additions	-	-	-	276	902	1,178
Disposals	-	-	-	(232)	(834)	(1,066)
End of financial year	<u>3,459</u>	<u>18,356</u>	<u>21,916</u>	<u>1,277</u>	<u>12,349</u>	<u>57,357</u>
Accumulated depreciation						
Beginning of financial year	-	4,731	21,916	815	11,465	38,927
Depreciation charge (Note 8(b))	-	367	-	156	811	1,334
Disposals	-	-	-	(212)	(834)	(1,046)
End of financial year	<u>-</u>	<u>5,098</u>	<u>21,916</u>	<u>759</u>	<u>11,442</u>	<u>39,215</u>
Net book value at end of financial year	<u>3,459</u>	<u>13,258</u>	<u>-</u>	<u>518</u>	<u>907</u>	<u>18,142</u>

TOKIO MARINE INSURANCE SINGAPORE LTD.

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For the financial year ended 31 December 2023

16. Leases – The Company as a lessee

Nature of the Company's leasing activity - Property

The Company leases office and residential space for the purpose of business operations and staff accommodation respectively

(a) *Right-of-use assets*

	2023 \$'000	2022 \$'000
Property		
Cost		
Beginning of financial year	1,054	994
Additions	1,106	146
Disposals	(499)	(86)
End of financial year	<u>1,661</u>	<u>1,054</u>
Accumulated depreciation		
Beginning of financial year	774	361
Depreciation charge (Note 8(b))	600	476
Disposals	(485)	(63)
End of financial year	<u>889</u>	<u>774</u>
Net book value at end of financial year	<u>772</u>	<u>280</u>

(b) *Lease liabilities*

	2023 \$'000	2022 \$'000
Current	611	220
Non-current	147	45
	<u>758</u>	<u>265</u>

Movements in lease liabilities are as follows:

	2023 \$'000	2022 \$'000
Beginning of financial year	265	620
Additions	1,101	146
Modifications of lease liabilities	(14)	(24)
Principal payment of lease liabilities	(638)	(496)
Interest expense on lease liabilities (Note 8(d))	44	19
End of financial year	<u>758</u>	<u>265</u>

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For the financial year ended 31 December 2023

16. Leases – the Company as a lessee (continued)

(c) Lease expense not capitalised in lease liabilities

	2023	2022
	\$'000	\$'000
Lease expenses – short term leases (Note 8(d))	244	147

(d) Total cash outflow for all the leases (including short-term leases) in 2023 was \$882,000 (2022: \$643,000).

17. Leases – the Company as a lessor

Nature of the Company's leasing activity - Property

The Company has leased out its investment properties for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties is disclosed in Note 7.

Maturity analysis of lease payments

The table below discloses the undiscounted lease payments to be received after the reporting date as follows:

	2023	2022
	\$'000	\$'000
Not later than one year	6,548	7,587
Between one and five years	4,018	7,218
Total undiscounted lease payments	10,566	14,805

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18. Other payables

	2023 \$'000	2022 \$'000 (Restated)
Other payables:		
Current		
- Intermediate holding corporation	33,941	28,379
- Fellow subsidiaries	22	30
- Cash collaterals held on bond business	26,018	22,945
- Other creditors and accrued operating expenses	19,906	20,479
- Rental deposit received from ultimate holding corporation	-	9
- Management and professional fees due to fellow subsidiaries	376	529
	80,263	72,371
Non-current		
- Other creditors and accrued operating expenses	837	1,443
- Rental deposit received from fellow subsidiaries	245	245
	1,082	1,688
	81,345	74,059

Other payables due to related companies are non-interest bearing and have no specific credit terms. Balances are typically settled after 90 days. Non-trade payables due to related companies are unsecured, interest-free and repayable on demand.

Other payables were denominated in the following currencies:

	2023 \$'000	2022 \$'000 (Restated)
Singapore Dollar	46,666	35,623
Thai Baht	15,712	13,846
Philippine Peso	5,098	5,198
United States Dollar	4,288	6,869
Malaysian Ringgit	4,274	5,299
Brunei Dollar	1,095	1,193
Others	4,212	6,031
	81,345	74,059

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For the financial year ended 31 December 2023

19. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2023 \$'000	2022 \$'000 (Restated)
Deferred tax assets	(7,330)	(7,614)
Deferred tax liabilities	3,041	179
Net deferred tax assets	<u>(4,289)</u>	<u>(7,435)</u>

The movement in the net deferred income tax account is as follows:

	2023 \$'000	2022 \$'000
Beginning of financial year	(7,435)	48
Tax charged/(credited) to (Note 9(a)):		
- Effect of change in adoption of FRS109 adoption	1,031	-
- Profit or loss	(605)	445
- Other comprehensive income	2,720	(7,928)
End of financial year	<u>(4,289)</u>	<u>(7,435)</u>

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax assets

	Fair value loss - net \$'000	Other \$'000	Total \$'000
2023			
Beginning of financial year	(5,925)	(1,689)	(7,614)
Adoption of FRS 109	1,031	-	1,031
Charged to profit or loss	-	(747)	(747)
End of financial year	<u>(4,894)</u>	<u>(2,436)</u>	<u>(7,330)</u>
2022			
Beginning of financial year	-	(2,169)	(2,169)
Charged to profit or loss	-	480	480
Credited to other comprehensive income	(5,925)	-	(5,925)
End of financial year	<u>(5,925)</u>	<u>(1,689)</u>	<u>(7,614)</u>

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For the financial year ended 31 December 2023

19. Deferred income taxes (continued)

Deferred income tax liabilities

	Accelerated tax <u>depreciation</u> \$'000	Fair value <u>gains - net</u> \$'000	<u>Others</u> \$'000	<u>Total</u> \$'000
2023				
Beginning of financial year	131	-	48	179
Charged to profit or loss	59	-	83	142
Credited to other comprehensive income	-	2,720	-	2,720
End of financial year	<u>190</u>	<u>2,720</u>	<u>131</u>	<u>3,041</u>
2022				
Beginning of financial year	105	2,003	109	2,217
Charged to profit or (loss)	26	-	(61)	(35)
Credited to other comprehensive income	-	(2,003)	-	(2,003)
End of financial year	<u>131</u>	<u>-</u>	<u>48</u>	<u>179</u>

20. Share capital

The Company's share capital comprise 10,000,000 (2022: 10,000,000) fully paid-up ordinary shares with no par value, amounting to a total of \$100,000,000 (2022: \$100,000,000).

21. Dividends

	2023 \$'000	2022 \$'000
Ordinary dividends		
Final dividend paid in respect of the previous financial year of \$3.93 (2022: \$6.03) per share	<u>39,300</u>	<u>60,300</u>

22. Management of insurance and financial risk

Risk management is an integral part of the internal control system of the Company's business operations. The Company being a member of the Tokio Marine Group of companies (the "Tokio Marine Group") takes into consideration the risk management philosophy and business strategy of the Tokio Marine Group when managing the risk of the Company. A Risk Management Framework is in place under the supervision of the Board of Directors who is committed to maintain sound, robust and effective risk management processes as part of good business practice to safeguard the Company's assets and investments as well as to protect the shareholder's and policyholders' interests.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

The Company manages and monitors the risk management process, plans and runs its operations in accordance with the Risk Policy Statement, "Sustainable Profitable Growth", taking into consideration the Singapore market environment and practice, business specialty and domain, size of business operations and capacity, degree of management's commitment, probabilities and impact of risks, and costs. It complies with regulatory principles, recommendations and requirements on risk management in its risk management processes.

The Management Committee comprising the Chief Executive and senior management staff, assists the Board of Directors in identifying different types of risk and categorises them into relevant risk groups, including establishing appropriate Crisis Management and Business Continuity Plans. The Management Committee formulates appropriate risk management policies and guidelines and conducts periodic risk management assessment exercises. Results are reviewed and evaluated by the Management Committee and they will make the necessary recommendations to manage risks.

Some of the main risk groups are as follows:

a. Business risks

Risks which may arise from failure to achieve strategic targets, inadequate planning or research, slow response to business environmental changes, lack of credit control and unsuitable claims or reserve management.

b. Underwriting risks

Risks arising from unsuitable underwriting, economic/market changes and unexpected increases in the occurrence of insured events or arising from inadequate reinsurance management policies.

Under each risk group, the various risks exposures are identified and classified based on their frequency and severity of the losses.

The Company issues all lines of general insurance contracts that transfer insurance risk. The main classes of insurance are motor, fire, general accident, work injury compensation and marine.

A key corporate objective of the Company is to improve the earnings from its general insurance business. To this end, the Company targets personal lines business and small/medium commercial business and maintains discipline in its risk underwriting. Through underwriting discipline, the Company strives to reduce cyclical volatility, achieve more stable results and to increase value for its shareholder.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company faces the possibility of incurring higher claims costs than expected owing to the nature of the claim, their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting pricing and conditions of insurance or reinsurance cover.

The Company seeks to minimise and manage these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The Company's underwriting policy supports the seeking of risks in the preferred market of personal and small/medium commercial business and adequate pricing commensurate with the risk profiles and claims experience.

The underwriting strategy attempts to ensure that there are appropriate risk selection criteria. There are underwriting policies setting the Company's risk appetite, risk management and control. Also in place are underwriting and claims authority limits for each level of responsibility. The Company's strategy limits the total exposure to any one client or location for certain risks. Where applicable, the Company has the right not to renew any policy, impose deductibles and reject payment of any fraudulent claim. Insurance contracts also entitle the Company to pursue recoveries from tortfeasors who may be third parties or insurance companies.

(i) Motor and work injury compensation policies

In terms of liability reserves, the Company has two significant business classes – motor and work injury compensation.

In the case of motor insurance, the Company provides insurance cover for both personal and commercial vehicles. The terms and conditions of the Company's motor insurance are generally in line with the market. Insurance covers range from comprehensive level covering own damage and third party liability to compulsory third party bodily injury and third party property damage.

The Company's premium pricing is monitored closely based on loss experience. The policyholder can opt for a cheaper product, which requires repairs for own damage claims to be done at the Company's authorised workshops. There is no limit to the claim amount for bodily injury. However, the limit set for commercial vehicle liability for third party property damage is generally \$500,000 and the limit set for private car liability for third party property damage is \$5,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(a) Insurance risk (continued)

(i) Motor and work injury compensation policies (continued)

Similar to any liability class of insurance, the claims cost for motor insurance depends on the litigious climate of the insuring community.

The Company's work injury compensation insurance compensates the insured's workers in the event of work-related injury or death. The claims cost of this business class moves in tandem with any change in the legislative compensation scale and is affected by the litigious climate of the insuring community. One of the important premium control tool is to ensure that wages declared under work injury compensation policies are adequate.

(ii) Loss reserves

Liability for incurred claims ("LIC") include unpaid losses, loss adjustment expenses and estimates for ultimate reserves for losses incurred but not reported ("IBNR") as well as losses incurred but not enough reported ("IBNER"). The LIC represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred.

Reserving is a complex process, which deals with uncertainty, and requires the use of informed estimates and judgements. Significant delays may occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing LIC, the ultimate cost of which cannot be known with certainty as of the balance sheet date.

The reserves for losses and loss adjustment expenses are determined based on information currently available. However, it is inherent in the nature of the business written that the ultimate insurance contract liabilities may vary as a result of subsequent developments. The ultimate insurance contract liabilities are estimated and certified by the Certifying Actuary of the Company in accordance with the local regulatory requirements. Any changes in overall estimates are reflected in results of operations in the period in which estimates are change.

(iii) Reinsurance

The Company cedes insurance premiums and risk in the normal course of its business in order to limit the potential for single large loss or losses arising from a single event or longer exposures. Reinsurance does not, however, relieve the originating insurer of its liability. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, ceded premiums for the remaining coverage and ceded future policy benefits.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(a) *Insurance risk (continued)*

(iii) *Reinsurance (continued)*

Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liability associated with the reinsured policy. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

(b) *Concentration of insurance risk*

The Company has two significant business classes – motor and work injury compensation (“WICA”). The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted by the Company is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

		Type of risk			Total \$'000
		Motor \$'000	WICA ¹ \$'000	Others \$'000	
Territory					
<i>Year ended 31 December 2023</i>					
Singapore	Gross	70,990	31,624	154,124	256,738
	Net	68,363	29,852	38,778	136,993
Others	Gross	5,944	5,455	51,615	63,014
	Net	5,381	5,401	9,456	20,238
Total	Gross	76,934	37,079	205,739	319,752
	Net	73,744	35,253	48,234	157,231
<i>Year ended 31 December 2022</i>					
Singapore	Gross	76,409	30,031	107,933	214,373
	Net	72,076	28,397	35,794	136,267
Others	Gross	5,178	5,873	51,557	62,608
	Net	4,906	5,962	9,552	20,420
Total	Gross	81,587	35,904	159,490	276,981
	Net	76,982	34,359	45,346	156,687

¹ WICA refers to work injury compensation policies.

The exposure of liquidity risk of insurance liabilities is disclosed in Note 22(c).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(c) Liquidity Risk

Liquidity risk is the risk where the Company is unable to meet its obligations on a timely basis especially so when the investment portfolio is largely made up of illiquid assets. Under normal circumstances, the liquidity demands of an insurance company are met through ongoing operations, continuous premium income, sale of disposable assets and borrowings.

The projected cash flows from the insurance contract liabilities consist of premiums, commissions and claims. Premiums, commissions and claims are generally stable and predictable. However, companies may be subjected to unexpected liquidity tightening due to adverse implications from the wider economic factors (domestic or global) or undue volatilities and unexpected losses experienced within investments.

As part of its Risk Management Framework, the Company manages its investment assets held for the insurance liabilities in accordance with its asset-liability management framework. This framework does not require complete matching of its assets and liabilities in terms of duration and currency. The Company is required to manage the gap between its assets and liabilities.

As part of managing the gap between assets and liabilities under the Asset and Liability framework, the Company adopts a prudent liquidity management by regularly monitoring its operating liquidity, actual and projected cash inflows and outflows movements to ensure liquidity is available and cash is employed optimally. It aims to generate positive cash inflow from its insurance operations through stringent credit control policy and prompt collection of outstanding premium balances. It also ensures that a reasonably high percentage of its assets are invested in highly liquid assets at all times, such as fixed deposits, government and statutory bonds. The Company held cash and cash equivalents of \$120,323,000 (2022: \$101,131,000) to meet its liquidity requirements.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(c) Liquidity Risk (continued)

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 3 years \$'000	Between 3 and 4 years \$'000	Between 4 and 5 years \$'000	More than 5 years \$'000	Total \$'000
Year ended							
31 December 2023							
LIC - Insurance	126,558	39,242	17,543	7,470	3,546	1,273	195,632
AFC - Reinsurance	(66,549)	(22,791)	(10,189)	(3,742)	(1,940)	(754)	(105,965)
	60,009	16,451	7,354	3,728	1,606	519	89,667
Other payables	80,263	1,082	-	-	-	-	81,345
Lease Liabilities	639	148	-	-	-	-	787
	140,911	17,681	7,354	3,728	1,606	519	171,799

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 3 years \$'000	Between 3 and 4 years \$'000	Between 4 and 5 years \$'000	More than 5 years \$'000	Total \$'000
Year ended							
31 December 2022							
LIC - Insurance	98,044	30,467	13,684	5,834	2,922	883	151,834
AFC - Reinsurance	(41,891)	(13,133)	(5,734)	(2,014)	(1,174)	(338)	(64,284)
	56,153	17,334	7,950	3,820	1,748	545	87,550
Other payables	72,371	1,688	-	-	-	-	74,059
Lease Liabilities	225	46	-	-	-	-	271
	128,749	19,068	7,950	3,820	1,748	545	161,880

(d) Development of claim liabilities

The following tables set out the Company's development of claim liabilities for all classes of business except the marine classes by accident year (accident year basis) with reference to the actual date of the event that caused the claim. For the marine classes, the basis used for claims development is by reference to the year in which the business was underwritten (underwriting year basis).

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) Development of claim liabilities (continued)

(i) Insurance claims (gross)

Accident Year	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	Total \$'000
- at end of accident year	68,684	73,185	83,473	84,046	77,983	74,722	107,510	
- one year later	68,073	71,308	80,865	74,658	75,185	71,637		
- two years later	69,115	72,694	79,245	76,494	79,160			
- three years later	76,373	72,422	81,142	76,486				
- four years later	76,137	71,860	80,442					
- five years later	83,273	71,642						
- six years later	83,056							
Current estimate of ultimate claims	83,056	71,642	80,442	76,486	79,160	71,637	107,510	569,933
Cumulative payments	(76,912)	(69,386)	(73,618)	(71,285)	(56,683)	(45,346)	(34,396)	(427,626)
Gross liabilities for incurred claims	6,144	2,256	6,824	5,201	22,477	26,291	73,114	142,307
Best estimate for incurred claims liability including other attributable expenses	6,222	2,390	7,140	5,491	23,066	27,480	76,278	148,067
Reserve for prior years								1,194
Reserve for marine and treaty classes (see following table)								209,580
Intragroup and Fulfilment cash flows								(191,207)
Discounting impact								(6,301)
Risk adjustment								34,299
Gross liabilities for incurred claims in financial statements								195,632

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) Development of claim liabilities (continued)

(i) Insurance claims (gross) (continued)

The reserves for marine and treaty classes for the Company were calculated on an underwriting year basis as follows:

Underwriting Year	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	Total \$'000
- at end of underwriting year	80,920	42,483	47,567	59,239	66,777	64,411	64,745	
- one year later	72,142	42,562	61,326	57,442	72,934	102,696		
- two years later	73,581	38,282	55,252	51,387	56,201			
- three years later	70,753	34,739	48,632	48,115				
- four years later	68,525	32,236	44,383					
- five years later	63,548	32,429						
- six years later	64,175							
Current estimate of ultimate claims	64,175	32,429	44,383	48,115	56,201	102,696	64,745	412,744
Cumulative payments	(53,978)	(28,634)	(42,116)	(40,485)	(46,093)	(22,026)	5,147	(228,185)
Gross Liabilities for incurred claims	10,197	3,795	2,267	7,630	10,108	80,670	69,892	184,559
Best estimate for incurred claims liability including other attributable expenses	10,396	3,792	2,242	7,661	10,077	81,897	51,681	167,746
Reserve for prior years								41,834
Reserve for marine and treaty classes								<u>209,580</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) Development of claim liabilities (continued)

(ii) Insurance claims (net)

Accident Year	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	Total \$'000
- at end of accident year	58,305	56,779	70,940	55,766	55,038	58,342	59,184	
- one year later	55,771	53,111	66,157	48,375	49,642	51,865		
- two years later	54,592	53,013	65,365	46,936	47,107			
- three years later	55,701	53,227	65,181	46,024				
- four years later	55,532	52,809	64,829					
- five years later	55,889	52,928						
- six years later	56,035							
Current estimate of ultimate claims	56,035	52,928	64,829	46,024	47,107	51,865	59,184	377,972
Cumulative payments	(55,149)	(51,398)	(61,231)	(42,718)	(40,384)	(38,278)	(23,015)	(312,173)
Net outstanding claim liabilities	886	1,530	3,598	3,306	6,723	13,587	36,169	65,799
Best estimate for claims liability including other attributable expenses	964	1,664	3,913	3,596	7,311	14,776	39,333	71,557
Reserve for prior years								1,098
Reserve for marine and treaty classes (see following table)								3,424
Fulfilment cash flows								1,389
Discounting								(3,061)
Risk adjustment								15,260
Gross liabilities for incurred claims in financial statements								89,667

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) Development of claim liabilities (continued)

(ii) Insurance claims (net) (continued)

The reserves for marine and treaty classes for the Company were calculated on an underwriting year basis as follows:

Underwriting Year	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	Total \$'000
- at end of underwriting year	3,011	2,737	3,041	2,115	2,145	2,948	2,897	
- one year later	2,119	3,393	2,403	1,655	2,498	2,941		
- two years later	2,513	3,324	2,218	1,531	2,625			
- three years later	2,491	3,351	2,188	1,623				
- four years later	2,445	3,250	2,086					
- five years later	2,447	2,963						
- six years later	2,412							
Current estimate of ultimate claims	2,412	2,963	2,086	1,623	2,625	2,941	2,897	17,547
Cumulative payments	(2,349)	(2,801)	(2,024)	(1,591)	(2,176)	(2,312)	(935)	(14,188)
Gross liabilities for incurred claims	63	162	62	32	449	629	1,962	3,359
Best estimate for incurred claims liability including other attributable expenses	69	177	67	35	488	684	1,890	3,410
Reserve for prior years								14
Reserve for marine and treaty classes								<u>3,424</u>

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) Development of claim liabilities (continued)

(iii) Insurance claims (gross)

Accident Year	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	Total \$'000
- at end of accident year	95,054	68,684	73,185	83,473	84,046	77,983	74,722	
- one year later	105,568	68,073	71,308	80,865	74,658	75,185		
- two years later	107,027	69,115	72,694	79,245	76,494			
- three years later	108,029	76,373	72,422	81,142				
- four years later	108,126	76,137	71,860					
- five years later	108,400	83,273						
- six years later	106,396							
Current estimate of ultimate claims	106,396	83,273	71,860	81,142	76,494	75,185	74,722	569,072
Cumulative payments	(104,974)	(75,645)	(68,388)	(71,041)	(68,846)	(50,200)	(20,865)	(459,959)
Gross liabilities for incurred claims	1,422	7,628	3,472	10,101	7,648	24,985	53,857	109,113
Best estimate for incurred claims liability including other attributable expenses	1,545	7,738	3,693	10,670	8,165	26,135	57,490	115,436
Reserve for prior years								961
Reserve for marine and treaty classes (see following table)								192,964
Intragroup and fulfilment cash flows								(172,564)
Discounting impact								(4,924)
Risk adjustment								19,961
Gross liabilities for incurred claims in financial statements								<u>151,834</u>

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) *Development of claim liabilities (continued)*

(iii) Insurance claims (gross) (continued)

The reserves for marine and treaty classes for the Company were calculated on an underwriting year basis as follows:

Underwriting Year	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	Total \$'000
- at end of underwriting year	65,125	80,920	42,483	47,567	59,239	66,777	64,411	
- one year later	32,113	72,142	42,562	61,326	57,442	72,934		
- two years later	23,314	73,581	38,282	55,252	51,387			
- three years later	21,424	70,753	34,739	48,632				
- four years later	20,978	68,525	32,236					
- five years later	22,459	63,548						
- six years later	26,819							
Current estimate of ultimate claims	26,819	63,548	32,236	48,632	51,387	72,934	64,411	359,967
Cumulative payments	(22,440)	(52,549)	(27,745)	(40,930)	(38,690)	(33,469)	11,203	(204,620)
Gross liabilities for incurred claims	4,379	10,999	4,491	7,702	12,697	39,465	75,614	155,347
Best estimate for incurred claims liability including other attributable expenses	4,441	11,202	4,500	7,783	12,648	39,941	57,450	137,965
Reserve for prior years								54,999
Reserve for marine and treaty classes								192,964

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) Development of claim liabilities (continued)

(iv) Insurance claims (net)

Accident Year	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	Total \$'000
- at end of accident year	59,920	58,305	56,779	70,940	55,766	55,038	58,342	
- one year later	57,841	55,771	53,111	66,157	48,375	49,642		
- two years later	57,856	54,592	53,013	65,355	46,936			
- three years later	59,160	55,701	53,277	65,181				
- four years later	59,353	55,532	52,809					
- five years later	59,973	55,889						
- six years later	60,082							
Current estimate of ultimate claims	60,082	55,889	52,809	65,181	46,936	49,642	58,342	388,881
Cumulative payments	(58,711)	(54,676)	(50,359)	(58,851)	(41,194)	(36,858)	(17,985)	(318,634)
Net Liabilities for incurred claims	1,371	1,213	2,450	6,330	5,742	12,784	40,357	70,247
Best estimate for incurred claims liability including other attributable expenses	1,493	1,322	2,670	6,900	6,259	13,935	43,990	76,569
Reserve for prior years								801
Reserve for marine and treaty classes (see following table)								3,923
Fulfilment cash flows								(1,990)
Discounting impact								(3,489)
Risk adjustment								11,736
Gross liabilities for incurred claims in financial statements								87,550

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(d) *Development of claim liabilities (continued)*

(iv) Insurance claims (net) (continued)

The reserves for marine and treaty classes for the Company were calculated on an underwriting year basis as follows:

Underwriting Year	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	Total \$'000
- at end of underwriting year	3,435	3,011	2,737	3,041	2,115	2,145	2,948	
- one year later	2,746	2,119	3,393	2,403	1,655	2,498		
- two years later	2,683	2,513	3,324	2,218	1,531			
- three years later	3,274	2,491	3,351	2,188				
- four years later	3,249	2,445	3,250					
- five years later	3,251	2,447						
- six years later	3,266							
Current estimate of ultimate claims	3,266	2,447	3,250	2,188	1,531	2,498	2,948	18,128
Cumulative payments	(3,246)	(2,345)	(2,648)	(2,020)	(1,472)	(1,747)	(812)	(14,290)
Net liabilities for incurred claims	20	102	602	168	59	751	2,136	3,838
Best estimate for incurred claims liability including other attributable expenses	22	111	656	182	65	818	1,988	3,842
Reserve for prior years								81
Reserve for marine and treaty classes								<u>3,923</u>

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(e) Investment market risk

The Company's investment objective is to maintain its net asset value and steadily improve its investment return in order to increase the enterprise value of the Tokio Marine Group.

The Company's Investment Committee, which comprises some directors and senior management staff, is responsible for managing the Company's investment activities. The Company outsourced substantially all its investment activities to a Fund Manager, a fellow subsidiary, Tokio Marine Life Insurance Singapore Ltd., to manage its investment activities, based on an Investment Management Agreement ("IMA"). The Investment Committee is responsible for the formulation of company-wide investment strategies, principles, policies and procedures. The Investment Committee sets the limits and approves new counterparties such as banks and securities broking houses, which form part of the credit policy and procedure, to manage the risks faced by the Company.

The Company is exposed to market risks arising from its investments in debt securities, equities and properties. Changes in interest rates, foreign exchange rates and equity prices will impact the financial position of the Company as any reaction to market changes will affect the present and future earnings of the Company for its general insurance operations and shareholder's equity.

The Investment Committee is responsible for and has oversight over the Fund Manager through the IMA to actively manage market risk through setting of investment policies and strategic asset allocation.

(f) Foreign currency risk

The Company has limited exposure to foreign exchange risks arising from its insurance and investment activities. Exposures to foreign currency risks are monitored on an on-going basis through setting of limits. The directors do not consider the Company's exposure to foreign currency exchange fluctuations to be significant and, therefore the Company does not enter into derivative contracts to manage this risk.

(g) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(g) Cash flow and fair value interest rate risks (continued)

The Company's core insurance and investment activities are inherently exposed to interest rate risk which arises principally from different maturity profile as well as repricing of interest bearing assets. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile, which may change over time, based on management's longer term view of interest rates and economic conditions. Quarterly updates are provided by the Fund Manager to the Investment Committee on the Company's exposure to interest rates as part of the fixed income review.

The tables below illustrate the interest rate risks of the Company's financial assets and liabilities:

	Variable rates \$'000	Fixed rates \$'000	Non- interest bearing \$'000	Total \$'000
At 31 December 2023				
Financial Assets				
Cash and cash equivalents	-	105,802	14,521	120,323
Equity securities at FVTPL	-	-	59,425	59,425
Debt securities at FVOCI	-	296,156	-	296,156
Equity securities designated at FVOCI	-	-	1,924	1,924
Other assets (exclude transferable club membership and prepayments)	-	-	29,426	29,426
	-	401,958	105,296	507,254
Financial Liabilities				
Other payables	-	-	81,345	81,345
Lease liabilities	-	758	-	758
	-	758	81,345	82,103
At 31 December 2022				
Financial Assets				
Cash and cash equivalents	-	88,093	13,038	101,131
Available-for-sale equity securities	-	-	60,172	60,172
Available-for-sale Debt securities	-	285,393	-	285,393
Other assets (exclude transferable club membership and prepayments)	-	-	28,863	28,863
	-	373,486	102,073	475,559
Financial Liabilities				
Other payables	-	-	74,059	74,059
Lease liabilities	-	265	-	265
	-	265	74,059	74,324

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(g) Cash flow and fair value interest rate risks (continued)

The Company's interest rate risk sensitivity analysis is disclosed in Note 22(l).

The Company's fund manager is managing the Company's transition plan. There is currently uncertainty around the timing and precise nature of these changes. Such reform has no impact on the Company's risk management strategy. Risks arising from instruments that are subject to such transition are not considered significant.

(h) Equity price risk

The Company is exposed to equity securities price risk arising from its investment in equity securities, which comprises mainly preference shares and perpetual bonds. The table below summarises the Company's exposure to equity securities across different markets.

	2023	2022
Market		
Singapore Stock Exchange ("SGX")	89%	90%
Others including unlisted equities	11%	10%

The sensitivity analysis of the equity holdings are disclosed in Note 22(l).

(i) Alternative investment risk

The Company is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and through debt securities issued by real estate investment trusts.

(j) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. Key balances where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Other assets; and
- Counterparty risk with respect to debt securities, equity securities, government and public authority securities and bank deposits.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information prior to the finalisation of any contract.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(j) Credit risk (continued)

For investments in debt securities, financial losses may also materialise as a result of the widening of credit spread or a downgrade of credit rating that causes a default by the issuer on coupon payment or even the principal amount.

For bonds and bank deposits, the Company has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored and reviewed on a regular basis by the Investment Committee to manage the credit and concentration risk.

Receivables due from related companies of the Company are non-interest bearing and are generally on a 3-month credit term. The Company considers balances that are outstanding for more than 3 months as past due. It is the Company's policy to review the credit standing or rating and business potential of each counterparty and set appropriate credit terms to minimise credit risk exposure.

The following table provides information regarding the credit risk exposure for financial assets with external credit ratings of the Company.

	<u>Neither past due nor impaired</u>					<u>Total</u> \$'000
	<u>Investment grade</u> <u>(AAA to A-)</u> \$'000	<u>Investment grade</u> <u>(BBB+ to BBB-)</u> \$'000	<u>Non-investment grade</u> <u>(BB+ to C)</u> \$'000	<u>Not rated</u> \$'000	<u>Past due or impaired</u> \$'000	
At 31 December 2023						
Equity securities	5,111	34,510	-	21,728	-	61,349
Government and public authority securities	102,888	-	-	53,709	-	156,597
Debt securities issued by corporations	39,801	33,147	-	66,611	-	139,559
Cash and cash equivalents	98,645	12,048	-	9,630	-	120,323
Reinsurance assets	134,741	470	-	2,122	(161)	137,172
Other assets (exclude transferable club membership and prepayments)	20,890	2,843	-	5,693	-	29,426
	<u>402,076</u>	<u>83,018</u>	<u>-</u>	<u>159,493</u>	<u>(161)</u>	<u>644,426</u>
At 31 December 2022						
Equity securities	4,367	33,879	-	21,926	-	60,172
Government and public authority securities	100,917	-	-	46,261	-	147,178
Debt securities issued by corporations	32,067	28,695	-	77,453	-	138,215
Cash and cash equivalents	90,281	10,850	-	-	-	101,131
Reinsurance assets	93,511	420	-	1,764	(91)	95,604
Other assets (exclude transferable club membership and prepayments)	16,803	3,378	-	8,682	-	28,863
	<u>337,946</u>	<u>77,222</u>	<u>-</u>	<u>156,086</u>	<u>(91)</u>	<u>571,163</u>

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(j) Credit risk (continued)

The loss allowance provision for debt securities at FVOCI and fixed deposits as at 31 December 2023 reconciles to the opening loss allowance for that provision as follows:

	Fixed deposit S\$'000	Debt securities at FVOCI S\$'000	Total S\$'000
At 1 January 2023	290	230	520
Loss allowance measured at:			-
- 12-month ECL	4	1	5
- Life-time ECL	-	(43)	(43)
At 31 December 2023	294	188	482

The financial assets, which are not rated, comprise mainly debt securities issued by statutory authorities or companies listed on SGX. The issues were not rated as the issuers did not obtain any credit rating from the respective rating agencies during the launch. Such issues although not rated are issued by these companies which are financially sound and are of high credit worthiness. The credit worthiness is monitored by the Fund Manager through Bloomberg alerts on any downgrade news related to any debt securities in the Company's portfolio.

(k) Interest rate sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables constant. In practice, the estimated future change may not be accurate, particularly in periods of market turmoil. Actual results may differ substantially from these estimates.

As the Company invests in fixed income securities, a study of the movement in risk-free rate is undertaken for all the fixed income securities held on the balance sheet date. A study of a 1%-yield movement across relevant curves has been undertaken on the fair value of fixed income securities for Singapore operation and this is considered to be a reasonable basis for interest rate sensitivity analysis. The table below summarises the impact on profit after tax and equity based on a 1% parallel shift in the yield curve for Singapore:

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(k) Interest rate sensitivity analysis (continued)

	<u>Impact on profit after tax</u>		<u>Impact on equity</u>	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Change in interest rate				
+ bps (2022: +100 bps)	(22,832)	-	(22,454)	(22,454)
- bps (2022: -100 bps)	22,832	-	22,454	22,454

Note: Fixed income securities in this sensitivity analysis include preference shares and perpetual bonds.

(l) Capital risk

The Company's capital management objective is to maintain a strong capital position with optimum buffer to meet its obligations towards policyholders and to comply with the required capital requirements.

The Company has put in place a documented process to obtain capital injection from its immediate holding company, Asia General Holdings Limited, should the need arise.

The Company defines capital as regulatory capital under the Risk-based Capital Framework ("RBC 2") regulated by the Monetary Authority of Singapore ("MAS"). Regulatory capital is the minimum amount of assets that must be held to meet statutory solvency requirements. The Company monitors its capital position to ensure that the statutory solvency requirements are met at all times.

Under RBC 2, the prescribed capital requirement is 100%. The capital adequacy ratio of the Company under RBC 2 as at 31 December 2023 is 331% (2022: 327%).

(m) Fair value measurements

The table below presents assets measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

22. Management of insurance and financial risk (continued)

(m) Fair value measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
2023				
Investment assets				
- Equity securities designated at FVOCI		-	1,924	1,924
- Equity securities at FVTPL	-	59,425	-	59,425
- Debt securities at FVOCI	36,415	259,741	-	296,156
	<u>36,415</u>	<u>319,166</u>	<u>1,924</u>	<u>357,505</u>
2022				
Available-for-sale financial assets				
- Equity securities	-	58,381	1,791	60,172
- Debt securities	35,108	250,285	-	285,393
	<u>35,108</u>	<u>308,666</u>	<u>1,791</u>	<u>345,565</u>

There were no transfers between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. These instruments are classified as Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

As at 31 December 2023 and 31 December 2022, the Company's Level 3 financial instruments consists of investments in unlisted companies. The fair value of these instruments are estimated using the net asset values of the companies.

The following table presents the changes in Level 3 instruments:

	2023	2022
	\$'000	\$'000
Investment assets		
Beginning of financial year	1,791	1,513
Fair value gains recognised in other comprehensive income (designated) - net	133	278
End of financial year	<u>1,924</u>	<u>1,791</u>

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

23. Holding corporations

The Company's immediate holding company is Asia General Holdings Limited, incorporated in Singapore. The intermediate holding corporation is Tokio Marine & Nichido Fire Insurance Co., Ltd., incorporated in Japan. The ultimate holding corporation is Tokio Marine Holdings, Inc., incorporated in Japan.

24. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company and related parties at terms agreed between the parties:

(a) *Income*

	2023 \$'000	2022 \$'000
Premiums received from fellow subsidiaries	282	256
Reinsurance premiums received from intermediate holding corporation	584	24,641
Reinsurance premiums received from fellow subsidiaries	7,319	9,606
Reinsurance premiums received from other related parties	952	-
Reinsurance commissions received from intermediate holding corporation	6,725	13,080
Reinsurance commissions received from fellow subsidiaries	6,267	7,026
Reinsurance claims recovered from intermediate holding corporation	6,355	32,872
Reinsurance claims recovered from fellow subsidiaries	4,954	11,016
Amount received on behalf from intermediate holding corporation	4,563	-

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

24. Related party transactions (continued)

(b) Expenses

	2023 \$'000	2022 \$'000
Reinsurance premiums ceded to intermediate holding corporation	33,523	56,748
Reinsurance premiums ceded to fellow subsidiaries	25,345	29,952
Reinsurance commissions paid to intermediate holding corporation	126	7,182
Reinsurance commissions paid to fellow subsidiaries	1,075	1,091
Reinsurance commissions paid to other related parties	171	152
Reinsurance claims paid to intermediate holding corporation	-	12,999
Reinsurance claims paid to fellow subsidiaries	914	68
Miscellaneous claim expenses paid to fellow subsidiaries	132	226
Miscellaneous reinsurance expenses paid to intermediate holding corporation	15	13
Miscellaneous reinsurance expenses paid to fellow subsidiaries	29	49
Amount paid on behalf of intermediate holding corporation	-	12,093

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	2023 \$'000	2022 \$'000
Salaries and other short-term employee benefits	2,315	2,296
Employer's contribution to defined contribution plans including CPF	9	8
Directors' fees	161	150
	<u>2,485</u>	<u>2,454</u>

Key management personnel compensation represents compensation to directors of the Company.

TOKIO MARINE INSURANCE SINGAPORE LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

25. New or revised accounting standards and interpretations

The following are the new or amended Standards and Interpretations that are not yet applicable, but may be early adopted for the current financial year.

Description	Effective for annual periods beginning on or after
Classification of Liabilities as Current or Non-current (amendments to FRS 1)	1 January 2024
Non-current liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Lease liability in a Sale and Leaseback (Amendments to FRS 116)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and FRS 107)	1 January 2024

The new or amended accounting standards and Interpretations listed above are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions except for FRS 117 as disclosed in Note 2.1(a) and FRS 109 as disclosed in Note 2.1(b).

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Tokio Marine Insurance Singapore Ltd. on 23 May 2024.