Branch Registration No. T08FC7171K

Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

Pursuant Section 373 of the Singapore Companies Ac 1967

Annual Financial Statement
31 December 2023

Building a better working world

General information

Chief Executive Officer

Liam Burrell

Registered Office

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditor

Ernst & Young LLP

Index

Statement by Chief Executive Officer

I, Liam Burrell, the Chief Executive Officer primarily responsible for the financial management of Zurich Insurance Company Ltd (Singapore Branch) (the "Branch"), state that, in my opinion, the accompanying statement of comprehensive income, statement of financial position, statement of changes in head office account and statement of cash flows, and the related notes thereto are properly drawn up as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2023, and of the results of the Branch's operations in Singapore, changes in head office account and cash flows from such operations for the financial year then ended.

At the date of this statement, there are reasonable grounds to believe that the Branch will be able to pay its debts as and when they fall due.

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Liam Burrell
Chief Executive Officer

Singapore

29 April 2024

Independent Auditor's Report
For the financial year ended 31 December 2023

Independent Auditor's Report to Zurich Insurance Company Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Singapore Branch of Zurich Insurance Company Ltd, (the "Branch"), pursuant to section 373 of the Companies Act 1967 (the Act). These financial statements comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in head office account and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information.

The Branch is a segment of Zurich Insurance Company Ltd and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded therein.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2023, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the financial year ended on that date.

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 are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the General information and the Statement by Chief Executive Officer set out on page 3, 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.

Independent Auditor's Report
For the financial year ended 31 December 2023

Independent Auditor's Report to Zurich Insurance Company Ltd

Responsibilities of management and directors for the financial statements

The Branch's 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 FRSs, 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, the Branch's management is responsible for assessing the Branch'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 the Branch's management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Branch'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 Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Branch's management.

- Conclude on the appropriateness of the Branch's 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 Branch'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 Branch to cease to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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 Branch's management 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 examined by us relating to the Branch's operations in Singapore have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

29 April 2024

Statement of comprehensive income

in SGD thousands, for the years ended December 31	Notes	2023	Restated 2022
Statement of Profit and Loss			
Insurance revenue	5	215,570	206,450
Insurance service expense	3, 5	(130,907)	(70,437)
Gross insurance service result		**84,663**	**136,013**
Reinsurance premiums	5	(140,949)	(140,015)
Amounts recoverable from reinsurance	5	73,817	16,431
Net expense from reinsurance contracts held		**(67,131)**	**(123,585)**
Insurance service result		**17,531**	**12,428**
Interest revenue	4	10,707	6,267
Net capital gain/(loss) on sale of investments measured at fair value through other comprehensive income	4	(3,366)	(1,686)
Impairment loss on financial assets	4	(22)	(73)
Net foreign exchange gain/(loss)	4	(6,175)	1,989
Insurance finance expenses	4	(6,739)	(3,134)
Reinsurance finance income	4	3,750	1,202
Other investment income/(expense)	4	(548)	(475)
Net investment result		**(2,392)**	**4,090**
Other income/(expense)	3	(5,042)	(8,571)
Profit/(loss) before tax		**10,098**	**7,947**
Income tax expense	3	-	-
Profit/(loss) after tax		**10,098**	**7,947**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) of financial assets during the financial year	4	5,221	(15,595)
Fair value gain/(loss) transferred to profit or loss on disposal	4	3,316	1,686
Change in discount rate for insurance/reinsurance contracts	4	(851)	1,754
Other comprehensive income/(loss) for the financial year		**7,685**	**(12,155)**
Total comprehensive income/(loss) for the financial year		**17,783**	**(4,208)**

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

Statement of financial position

in SGD thousands, as of	Notes	December 31 2023	December 31 Restated 2022	January 1 Restated 2022
Assets				
Cash & Cash Equivalents		21,360	38,221	29,745
Debt securities at fair value through other comprehensive income		401,006	350,587	315,646
Equity securities at fair value through other comprehensive income		-	16,272	11,828
Equity securities at fair value through profit and loss		16,222	-	-
Reinsurance contract assets	5	76,906	104,286	138,369
Receivables and other assets	6	11,102	10,555	7,856
Property, plant and equipment	7	14,764	4,269	5,941
Intangible assets		556	556	556
Total Assets		**541,916**	**524,746**	**509,943**
Liabilities				
Insurance contract liabilities	5	416,664	409,759	429,198
Reinsurance contract liabilities	5	17,316	29,435	8,853
Payables and other liabilities	8	24,188	19,586	15,718
Total Liabilities		**458,168**	**458,780**	**453,769**
Net Assets		**83,748**	**65,965**	**56,174**
Head Office Accounts				
Head office contributions		154,300	154,300	140,300
Fair value reserve		(4,944)	(12,692)	1,217
Insurance/reinsurance finance reserve		783	1,634	(120)
Accumulated losses		(66,391)	(77,277)	(85,224)
Total head office account		**83,748**	**65,965**	**56,174**

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

Statement of changes in head office account

in SGD thousands	Head office contributions	Fair value reserve	Insurance / reinsurance finance reserve	Accumulated losses	Total
At 31 December 2021, as previously reported	**140,300**	**1,217**	**-**	**(79,121)**	**62,396**
Effect of adoption FRS 117	-	-	(120)	(6,103)	(6,223)
Restated balance as at 1 January 2022	**140,300**	**1,217**	**(120)**	**(85,224)**	**56,174**
Profit for the financial year	-	-	-	7,947	7,947
Other comprehensive income					
Fair value loss during the financial year	-	(15,595)	-	-	(15,595)
Reclassification to profit or loss on disposal	-	1,686	-	-	1,686
Change in discount for insurance / reinsurance contracts	-	-	1,754	-	1,754
Total comprehensive loss for the financial year	**-**	**(13,909)**	**1,754**	**7,947**	**(4,208)**
Transfer from Head Office	14,000	-	-	-	14,000
At 31 December 2022	**154,300**	**(12,692)**	**1,634**	**(77,277)**	**65,965**
Effect of adoption FRS 109	-	(788)	-	788	-
Restated balance as at 1 January 2023	**154,300**	**(13,480)**	**1,634**	**(76,489)**	**65,965**
Profit for the financial year	-	-	-	10,098	10,098
Other comprehensive income					
Fair value gain during the financial year	-	5,221	-	-	5,221
Reclassification to profit or loss on disposal	-	3,316	-	-	3,316
Change in discount for insurance / reinsurance contracts	-	-	(851)	-	(851)
Total comprehensive gain for the financial year	**-**	**8,536**	**(851)**	**10,098**	**17,783**
Transfer from Head Office	-	-	-	-	-
At 31 December 2023	**154,300**	**(4,944)**	**783**	**(66,391)**	**83,748**

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

Statement of cash flows

in SGD thousands, for the years ended December 31	Notes	2023	Restated 2022
Cash flows from operating activities			
Profit before tax		10,098	7,947
Adjustements for:			
Depreciation expense	7	1,142	1,734
Fair value (gain)/loss on derivative financial instruments	6	517	(624)
Amortisation/(accretion) of financial assets		(49)	3,012
Realised loss		3,345	1,759
Change of ECL allowance	10	299	201
Bad debts written-back		-	(133)
Unrealised currency translation		1,570	707
Interest expense on lease liabilities	8	200	174
Interest income		(10,024)	(5,787)
Dividend income		(683)	(480)
Operating cash flow before changes in working capital		**6,415**	**8,510**
(Increase)/decrease in receivables and other assets		(1,074)	(2,263)
Increase/(decrease) in Payables and Other liabilities		5,025	4,852
Increase/(decrease) in insurance contract liabilities		1,701	(8,451)
(Increase)/decrease in reinsurance contract assets		31,733	15,996
Increase/(decrease) in reinsurance contract liabilities		(12,120)	29,435
Net cash flows from operating activities		**31,680**	**48,079**
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,914)	(62)
Proceeds from disposal of property, plant and equipment		3,277	-
Purchase of financial assets		(195,889)	(171,872)
Proceeds from sales and maturity of financial assets		149,622	113,384
Interest received		10,129	5,872
Dividend received		683	480
Net cash used in investing activities		**(47,092)**	**(52,198)**
Cash flows from financing activities			
Head office contributions		-	14,000
Principal repayment of lease liabilities		(817)	(950)
Interest paid		(200)	(174)
Net cash flows (used in)/from financing activities		**(1,017)**	**12,876**
Net (decrease)/increase in cash and cash equivalents		(16,429)	8,757
Cash and cash equivalents at the beginning of financial year		38,221	29,745
Effect of exchange rate fluctuations on cash held		(432)	(281)
Cash and cash equivalents at the end of financial year		**21,360**	**38,221**

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

Notes to the financial statements

1. Corporate information

Zurich Insurance Company Ltd, Singapore Branch (the "Branch") is a branch of Zurich Insurance Company Ltd (the "Company"), incorporated in Switzerland. The Branch was registered under the Companies Act 1967, on 10 March 2008 and a license to conduct general insurance business in Singapore was granted by the Monetary Authority of Singapore ("MAS") on 1 April 2008.

The Branch's registered office is located at Singapore Land Tower #32-01, 50 Raffles Place, Singapore 048623.

The principal activity of the Branch is the underwriting of general insurance business. There were no significant changes in the nature of the principal activity during the financial year.

The financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

2. Summary of material accounting policies and critical accounting estimates and judgements

a) Basis of preparation

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

All amounts in the financial statements, unless otherwise stated, are shown in Singapore dollars (SGD'000 or $'000), rounded to the nearest thousand with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

The preparation of the Branch's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future periods.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Branch has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2023.

Changes to presentation and disclosure due to FRS 117

For presentation in the statement of financial position, the Branch aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately in the notes:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

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

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly. Under FRS 104 the Branch reported the following line items in their financial statements:

- Gross written premiums
- Movement in the net provision for gross unearned premiums
- Ceded written premiums
- Movement in the net provision for ceded unearned premiums
- Net earned premiums
- Movement in the net provision for outstanding claims
- Net claims incurred

Notes to the financial statements

In the adoption of FRS 117, the standard requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Income or expenses from reinsurance contracts held
- Finance income or expenses from insurance contracts issued
- Finance income or expenses from reinsurance contracts held

The effects of the adoption of FRS 117 on the statement of financial position are shown in the following table for the items impacted by the change. Items that remained unchanged or that are impacted by FRS 109 instead are not included.

Table 2.1: Transition effect of FRS 117 for balance sheet items impacted

in SGD thousands, as of	December 31, 2021 (as reported)	Items reclassified	FRS 117 remeasurement	January 1, 2022 (as restated)
Impacted assets under FRS 104				
Property, plant and equipment	1,120	4,821	-	5,941
Right of use assets	4,821	(4,821)	-	-
Other Assets	3,436	(3,436)	-	-
Impacted assets under FRS 117				
Reinsurance contract assets (formerly "Reinsurance assets")	393,132	(253,956)	(808)	138,369
Receivables and other assets (formerly "Insurance & Other receivables")	82,752	(74,896)	-	7,856
Transition effects on assets	**485,262**	**(332,288)**	**(808)**	**152,167**
Impacted liabilities under FRS 104				
Other Liabilities	7,897	(7,897)	-	-
Lease Liabilities	5,142	(5,142)	-	-
Deposits held under ceded reinsurance contracts	215,228	(215,228)	-	-
Derivative financial instruments	34	(34)	-	-
Impacted liabilities under FRS 117				
Insurance contract liabilities (formerly "Insurance liabilities")	497,503	(73,720)	5,415	429,198
Reinsurance contract liabilities	-	8,853	-	8,853
Payables and other liabilities (formerly "Insurance Payables)	54,836	(39,118)	-	15,718
Transition effects on liabilities	**780,642**	**(332,288)**	**5,415**	**453,769**
Impacted Equity items under FRS 117				
Change in Discount Rate	-	-	(120)	(120)
Accumulated losses	(79,121)	-	(6,103)	(85,224)
Transition effects on equity	**(79,121)**	**-**	**(6,223)**	**(85,343)**

Notes to the financial statements

Changes due to the implementation of FRS 109

The Branch adopted FRS 109 'Financial Instruments', including all the relevant amendments, from January 1, 2023. The Branch assessed the business model for managing financial assets based on facts and circumstances as of January 1, 2023. The contractual characteristics test (also referred as the 'SPPI test') was conducted based on the contractual terms at initial recognition of the financial assets. The classification, measurement and expected credit loss (ECL) requirements were applied retrospectively by adjusting the opening balance sheet at the date of initial application. The Branch applies FRS 109 for all designated hedge relationships. As permitted by FRS 109, the Branch has not restated comparative periods, and only applied the FRS 109 classification overlay, a transition option available under FRS 117 in the comparative period presented on initial application of FRS 117.

The summary of the effect of the adoption of FRS 109, including presentation changes from 2022 impacted by the overlay approach and amended classification and measurement requirements on the Branch's balance sheet.

Notes to the financial statements

Table 2.2 Reconciliation of carrying amounts between FRS 39 and FRS 109 as of January 1, 2023

in SGD thousands	December 31, 2022 (FRS 39)	FRS 109 reclassification	FRS 117 reclassification	Reversal of FRS 39 loss allowance and reconition of FRS 109 ECL	FRS 109 remeasurement	January 1, 2023 (FRS 109)
Cash and cash equivalents	**38,221**					**38,221**
Equity securities						
From available-for-sale (FRS 39)	16,272					
To FV through profit or loss		(16,272)				
Equity securities (FRS 39)	**16,272**	**(16,272)**				
To FV through profit or loss (FRS 109)						
From available-for-sale		16,272				16,272
Equity securities (FRS 109)		**16,272**				**16,272**
Debt securities						
From available-for-sale (FRS 39)	350,587					
To FV through OCI		(350,587)				
Debt securities (FRS 39)	**350,587**	**(350,587)**				
To FV through OCI (FRS 109)						
From available-for-sale		350,587				350,587
Debt securities (FRS 109)		**350,587**				**350,587**
Receivables in scope of FRS 109	**79,878**		**(73,486)**	**(201)**		**6,191**
Other assets - derivative assets						
From trading (FRS 39)	589					
To trading		(589)				
Derivative assets (FRS 39)	**589**	**(589)**				
To trading (FRS 39)						
From trading		589				589
Derivative assets (FRS 109)		**589**				**589**
Unrealized gain/(losses) on investments:						
Unrealized gain/(losses) on investments - FX	(129)					(129)
Unrealized gain/(losses) on investments (FRS 39)	**(129)**					**(129)**
From available-for-sale to FV through PL - FX					129	129
Unrealized gain/(losses) on investments (FRS 109)	**(129)**				**129**	**-**
Unrealized gain/(losses) on FVOCI equity securities (FRS 39)	**1,000**					**1,000**
Impact due to reclassification:						
From available-for-sale to FV through PL - FX					(1,000)	(1,000)
Unrealized gain/(losses) on FVOCI equity securities (FRS 109)	**1,000**				**(1,000)**	**-**
Unrealized gain/(losses) on FVOCI debt securities (FRS 39)	**(13,564)**					**(13,564)**
Unrealized gain/(losses) on FVOCI debt securities (FRS 109)	**(13,564)**					**(13,564)**
Loss allowance on FVOCI debt securities (FRS 109)				**83**		**83**
Impact due to remeasurements:						
From available-for-sale to FV through PL equity securities					(872)	
Total impact on Head Office account				**83**	**(872)**	**(788)**

Notes to the financial statements

Table 2.3 Reconciliation from FRS 39 loss allowance to FRS 109 ECL allowance as of January 1, 2023

in SGD thousands	FRS 39 loss allowance	Reversal of FRS 39 loss allowance	FRS 109 ECL recognition	FRS 109 ECL allowance
Loss allowance on receivables in scope of FRS 109	201	(201)	201	201
Loss allowance on FVOCI debt securities			83	83

c) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 Presentation of Financial Statements: *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to FRS 116 Leases: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to FRS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024
Amendments to FRS 7 Statement of Cash Flows and FRS 107 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025

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

d) Functional and foreign currency

The management has determined the currency of the primary economic environment in which the Branch operates i.e. functional currency, to be SGD for its Singapore operation. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

Transactions in foreign currencies are measured in the functional currency of the Branch and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of each reporting year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.
Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of each reporting year are recognised in profit or loss.

e) Leases

The Branch assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch has a lease contract that includes extension options. The Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Branch reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g. construction of significant leasehold improvements).

The Branch included the extension option in the lease term for its leasehold office space because of the leasehold improvements made and the significant costs that would arise to replace the assets.

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Branch estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Branch as a lessee

The Branch leases office space for the purpose of office operations. The lease runs for a period of 8 years (including an optional 3 year extension at existing terms) and can be renewed thereafter. The lease can be renegotiated at the end of 5 years, if not extended, otherwise will be renegotiated after 8 years. There are no externally imposed covenants on these lease arrangements.

The Branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Branch recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold office space: 8 years

If ownership of the leased asset transfers to the Branch at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.h).

Lease liabilities

At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Branch and payments of penalties for terminating the lease, if the lease term reflects the Branch exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Branch uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Branch applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

f) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Branch recognises such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	3 to 6 years
Furniture and fittings	3 years
Computer equipment	3 to 5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised. Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

g) Intangible assets

Club memberships are stated at cost less accumulated impairment losses. On disposal of club membership, the difference between net disposal proceeds and the carrying amount of the club membership is taken to profit or loss. Club memberships are assessed for impairment at least annually. Should the value of the club membership differ by more than 10% of original cost/carrying value of the asset, an impairment/appreciation is required.

h) Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

i) Financial instruments

Financial assets

Financial assets are recognised when, and only when, the Branch becomes a party to the contractual provisions of the financial instrument. The Branch determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date on which the Branch commits to purchase or sell the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace concerned.

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets

Financial assets include unit trust and debt securities. Unit trusts and debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

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

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

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

Notes to the financial statements

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset, and settle the liability simultaneously.

j) Derivative financial instruments
A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss. The Branch has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The Branch does not apply hedge accounting for its derivative financial instruments.

k) Fair value estimation
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 reporting 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 Branch uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. When appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.
The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

l) Impairment of financial assets
The Branch assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables
Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are evidence that these financial assets are impaired.
The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the Branch considers that there are no realistic prospects of collecting the amount, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.
The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the assets previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Equity and debt instruments recognised through other comprehensive income
In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security, are objective evidence that the security is impaired.
If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

Equity instruments recognised through profit and loss
The Branch opted for recognising its equity instruments through profit and loss.

m) Insurance contracts issued and reinsurance contracts held

Scope

The Branch applies accounting policies outlined in this section to insurance contracts issued that transfer significant insurance risk from policyholders or other insurance companies to the Branch and reinsurance contracts held that transfer significant insurance risk from the Branch to reinsurers. The significant insurance risk transfer is determined by comparing the present value of benefits payable if an insured event occurred with the present value of benefits payable if the insured event did not occur. This assessment is made on a contract-by-contract basis at initial recognition and not subsequently reassessed unless the contract has been modified.

Separating components

The Branch assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain any of the following components which need to be separated and accounted for under another FRS Accounting Standard:

- Derivatives embedded in insurance contracts where the economic characteristics and risks of the derivative contract are not closely related to those of the host contract, and a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- Investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction are accounted for as investment contracts; or
- Distinct service components, such as unattached risk engineering service contracts, claims handling service contracts provided to policyholders within their layer of risk retention or captive fronting services are accounted for as service contracts.

Level of aggregation

Generally, a single contract is the smallest unit of account. However, under certain circumstances, a single contract contains components that are separated and treated as if they were stand-alone contracts, provided the criteria below are fulfilled:

- The insurance components are priced separately and are, or could be, sold separately in the same jurisdiction,
- The substance of the contract to be separated is the same as issuing multiple separate contracts, or
- There is no interdependency between the different risks covered and a lapse or cancellation of one insurance component does not cause a lapse or cancellation of another insurance component.

Similarly, for insurance and reinsurance contracts entered into with the same counterparty, the Branch makes an evaluation of whether they are designed to achieve an overall commercial effect and therefore need to be combined and treated as one contract. The Branch combines certain captive arrangements, where the policyholder and the captive reinsurer are the same counterparty, that are designed to achieve an overall commercial effect, which results in the net retention by the Branch presented both on balance sheet and in profit or loss.
The level of aggregation is determined by dividing the business written into portfolios comprising contracts subject to similar risks and managed together. Portfolios are further divided into annual cohorts with contracts issued no more than one year apart, which are divided into groups of contracts based on their expected profitability: (i) onerous contracts, if any; (ii) contracts with no significant possibility of becoming onerous, if any; and (iii) remaining contracts, if any. Depending on the characteristics of the portfolio, an annual cohort may consist of just one group. The Branch chose to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The effect of such grouping is not material to the Branch.

Initial recognition

The Branch recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder becomes due (or when the first payment is received, if there is no due date); or
- An earlier date, if facts and circumstances indicate that the group is onerous.

The Branch determines if a group of contracts are onerous based on:

- Qualitative and quantitative information on the portfolio
- Loss and expense ratio assumptions
- Future premium, for policies which will be incepted after the reporting date

Contract boundary

The measurement of a group of insurance contracts includes all future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Branch can compel the policyholder to pay the premiums, or in which the Branch has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- The Branch has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied:
    - o The Branch has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
    - o The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Insurance contract classification

The Branch issues large corporate and commercial non-life products with a small exposure in the retail travel business. The majority of such insurance contracts are short-term and either have a contract boundary of one year or less or qualify for the simplified approach (or the premium allocation approach (PAA)) because the measurement of the liability for remaining coverage under PAA does not deviate significantly from the measurement that would apply under the general model (or the building block approach (BBA)). Therefore, such contracts are measured under PAA.

The simplification allows the liability for remaining coverage to be measured primarily based on premium received, less earned premium and unamortized acquisition cash flows. The liability for incurred claims is measured consistently with the general measurement model, whereby all the incurred claims are subject to discounting and risk adjustment.

The Branch will continually evaluate if new contracts issued and reinsurance contracts held are able to fulfil the eligibility criteria as set out above to apply the PAA model.

Insurance Acquisition Cash Flows (IACF)

Insurance acquisition costs are selling, underwriting and initiating costs typically incurred prior to or at the start of the coverage period of a contract that are directly attributable to the acquisition of portfolios of insurance contracts, including, for example, sales commissions, direct response marketing, premium taxes and in-house expenses directly attributable to sales and policy issuance activities.

The Branch allocates IACF to groups of insurance contracts in a systematic and rational way and amortises it in a systematic way over the coverage period using the same pattern as for insurance revenue recognition.

Insurance service expenses

These expenses consist of claims and other insurance service expenses that the Branch incurs in order to fulfil its obligations toward the policyholders that arise within the contract boundary of the underlying (re-)insurance contracts. They also include amortization of insurance acquisition cash flows, changes in the fulfilment cash flows relating to the liability for incurred claims (LIC) and losses on groups of onerous contracts and reversals of such losses. Costs incurred that cannot be directly attributed to portfolios of insurance contracts (e.g. cost incurred in connection with future business opportunities) are excluded.

Measurement under PAA

The liability for remaining coverage (LRC) is measured initially based on the premium received less any payments that relate to eligible IACF. Subsequently, the LRC is reduced by the amount recognized as insurance revenue for services provided in the period less any amortization of IACF recognized as an expense in the period. Insurance revenue is generally recognized on a straight-line basis.

Where facts and circumstances indicate that a group of contracts is onerous at initial recognition, additional analysis are performed to determine if a net outflow is expected. The net outflow is recorded immediately in profit or loss, resulting in the recognition of a loss component for the liability for remaining coverage and the carrying amount of the liability for the group of contracts being equal to the fulfilment cash flows.

The liability for incurred claims (LIC) reflects a current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cash outflows considering all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows. It includes an explicit adjustment for non-financial risk. The risk adjustment is recognized as and when the claims are incurred and subsequently released to insurance service expense as the uncertainty associated with the amount and timing of claims payment is resolved.

Generally, the LIC is adjusted for the effect of time value of money and financial risk. The accounting policy is selected to disaggregate the movement in the LIC resulting from changes in discount rates and to present this in OCI. The unwind of the discount on the LIC based on locked-in accident year discount rates is presented in profit or loss. Any premium receivables or accrued premium or claims payables that remain outstanding as of the reporting dates are presented as part of the insurance contract asset or liability.

Reinsurance contracts held

The Branch enters into reinsurance contracts in the normal course of business to limit the potential for losses arising from certain exposures. Reinsurance contracts do not relieve the Branch as the originating insurance of its liability. Reinsurance contracts held are recorded separately unless the contract combination criteria specified above are fulfilled.

Similar to insurance contracts issued, reinsurance contracts held are accounted for under PAA, if the qualifying criteria for PAA are fulfilled. The following differences specifically apply to reinsurance contracts held:

- Level of aggregation: Reinsurance contracts held cannot be onerous; therefore, at initial recognition, the groups of reinsurance contracts held comprise (i) contracts in a net gain position, if any; (ii) contracts with no significant possibility of turning into a net gain position subsequently, if any; and(iii) remaining contracts, if any.
- Recognition of the risk of non-performance: The measurement of reinsurance contracts held includes the effect of non-performance risk of the reinsurer which considers the reinsurer's credit rating and the expected recovery period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.
Reinsurance contracts held are measured using assumptions consistent with the assumptions used for the underlying insurance contracts for the fulfilment cash flows. The risk adjustment for non-financial risk represents the amount of risk being transferred by the holder of the reinsurance contract to the issuer of that contract. Consistent with the underlying insurance contracts, the Branch made an accounting policy choice of disaggregating the reinsurance finance income or expense between profit or loss and OCI.
If reinsurance contracts held cover underlying onerous insurance contracts, a loss recovery component is recognized only if the reinsurance contract held was entered into before or at the same time as the underlying onerous insurance contracts. The loss recovery component is measured by reference to the percentage of claims from underlying onerous insurance contracts expected to be recovered from the reinsurance contracts held.

Critical accounting estimates and judgement for non-life insurance contracts

The Branch's liability for reported losses and loss adjustment expenses is based on estimates of future payments to settle reported claims. The Branch bases such estimates on the facts available at the time the liability is established, considering the estimated costs of bringing pending claims to final settlement. The liability takes into account inflation, as well as other factors that can influence the amount required to fulfil the Branch's obligations, some which are subjective and dependent on future events. The Branch considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. Between the reporting and final settlement of a claim, circumstance may change which may result in changes to established liability. Accordingly, the Branch reviews and reevaluates claims and their liabilities on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of liabilities originally set.

The Branch establishes the liability for IBNR losses to recognise the estimated cost of losses events which have already occurred, but for which the Branch has not yet been notified. This liability is established to recognise the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Branch relies upon historical information and statistical models to estimate its IBNR liability. The liability is revised as additional information become available and as claims are actually reported. Any deficiency is immediately charged to profit and loss.

Notes to the financial statements

The time required to learn of and settle claims is an important consideration in establishing the Group's LIC. Short-tail claims, such as those for motor and property damage, are normally reported soon after the incident. Long-tail claims can take years to develop and additional time to settle. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

The Branch uses a number of accepted actuarial methods to estimate and evaluate the amount of the LIC. Five standard actuarial methods (Chain Ladder on Incurred and Paid Claims, Bornhuetter-Ferguson on Incurred and Paid, and Expected Loss Ratio) have been applied to unit of account.

The process of establishing the amount of the LIC is complex and deals with uncertainty, requiring the use of informed estimates and judgements considering the time value of money and the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. Any changes in estimates or judgements are reflected in profit or loss in the period in which estimates and judgements are changed. The LIC is determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Risk adjustment for non-financial risk

The risk adjustment is an explicit component of the liability for incurred claims and liability for remaining coverage, which is representative of the compensation that the Branch requires for bearing uncertainty about the amount and timing of the cash flows of groups of insurance contracts that arises from non-financial risk (insurance risk and other non-financial risk such as lapse risk). The risk adjustment is an explicit adjustment to the estimates of future cash flows to reflect the compensation the Branch would require making it indifferent between fulfilling a liability that has a range of possible outcomes arising from non-financial risk and fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contract. The Branch applies risk adjustment factors at 75% level of sufficiency, using a confidence level approach.

Discount rate

Estimates of the future cash flows are adjusted by discount rates to reflect the time value of money. FRS 117 outlines two prescribed methods; namely: bottom-up and top-down methods, for generating a yield curve to be used for the calculation of discounting effect.
The Branch considers the bottom-up method to be the most appropriate in order to generate the yield curves required under FRS 117. Bottom-up discount rates are constructed using risk-free rates which are determined by reference to the market interest spot rates in SGD.

SGD discount rates used:

	2023	2022
1 Year	3.7%	4.5%
3 Years	3.1%	3.0%
5 Years	2.7%	2.8%

Modified retrospective approach

FRS 117 requires an entity to discount its insurance liabilities and reinsurance assets by using the risk-free yield curve. The locked-in discount rate approach shall be applied whereby the accident year discount curve shall be used to derive insurance finance income or expense in profit or loss (i.e. the effect from the unwind of interest due to the passage of time). For balance sheet presentation, the carrying value shall be discounted once again using the current discount rate in effect as at the reporting date with any impact stemming from the change in the discount rate being recorded through equity (other comprehensive income; OCI).
For accident years 2015 and prior the modified retrospective approach is applied whereby the same yield curve of 2021 is used to derive the locked-in discount amounts. For all other accident years the fully retrospective approach is applied where the respective discount rates of that year is used.

Derecognition and contract modification

The Branch derecognizes an insurance contract only when the obligation specified in the insurance contract expires or is discharged or cancelled, or if the contract is modified in a way that requires derecognition of the original contract and recognition of the new contract with modified terms. The exercise of a right included in the terms of a contract is not a modification. When an insurance contract is extinguished, the entity is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract. Typically, when the Branch buys reinsurance, the underlying insurance contract(s) continue to be recognized as the respective obligations are not extinguished.

If the terms of an insurance contract are modified, for example, by agreement between the parties to the contract or by a change in regulation, the Branch derecognizes the original contract and recognizes the modified contract as a new contract, if any of the conditions below are satisfied:

i) If the modified terms had been included at contract inception:
   - The modified contract would not be an insurance contract; or
   - The Branch would have separated different components from the host insurance contract resulting in a different insurance contract; or
   - The modified contract would have had a substantially different contract boundary; or
   - The modified contract would have been included in a different group of contracts.

ii) The original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

iii) The entity applied the premium allocation approach to the original contract, but the modifications indicate that the contract no longer meets PAA eligibility criteria.

If a contract modification meets none of the above conditions, the changes in cash flows caused by the modification are treated as changes in estimates of fulfilment cash flows. A reinsurance contract is derecognized when the contractual rights to the cash flows expire.

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, and any highly liquid investments which are subject to an insignificant risk of changes in value.

o) Revenue recognition

Revenue is measured based on the consideration to which the Branch expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Branch satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Insurance revenue is generally recognised on a straight-line basis for the services provided in the period (see also 2.m) Measurement under PAA).

Reinsurance commissions from insurance contracts relates to income earned in ceding out new and/or renewing existing reinsurance contracts and certain insurance contracts and is recognised as revenue over the period in which reinsurance cover is received.

Dividend income from investments is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method.

Other income primarily consists of service fee charged to related corporations, income earned from co-insurance handling services, and risk engineering fee income. Under FRS 115, the Branch's performance obligation for these services is fulfilled upon delivery of services to related corporations. There is no variable consideration promised in the contract. Revenue will be recognised over time when performance obligation is satisfied upon the delivery of services.

p) Employee benefits

Defined contribution plan

The Branch participates and makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme and other defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the year in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

Share-based compensation

Zurich Insurance Group Ltd and its subsidiaries (collectively the "Group") operates long-term incentive plans that are accounted for as equity-settled share-based compensation plans. The fair value of these incentive plans is determined at the grant date and is recognised as an expense in profit or loss over the vesting period, with a corresponding increase recorded within other liabilities for employee benefit plans. Subsequently, the fair value of the liability is re-measured at the end of each reporting period with any changes in fair value recognised in profit or loss for the period.

q) Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Branch has a legal or constructive obligation where 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 the amount can be reliably estimated. Provisions are reviewed at each reporting date and will be adjusted to reflect the current best estimate.

r) Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Branch will comply with all the attached conditions.
Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are deducted in reporting the related expense.

s) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting date. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Notes to the financial statements

3. Expenses

Table 3.1 shows administrative and operating expenses by functional area and table 3.2 by type of expense. The insurance related expenses form part of the insurance service expenses and are split into the various functions. The reinsurance related expenses form part of the amounts recoverable from reinsurance. Investment expenses are shown in other investment income/(expense) while fee business expenses and other expenses are shown in other income/(expense).

Table 3.1 Expenses by function

in SGD thousands, as of	**2023**	2022
Expenses by function		
Insurance related expenses:		
Administrative and other operating expenses	11,957	11,554
Underwriting and policy acquisition costs	21,227	19,861
Claims handling expenses	6,128	4,442
Investment expenses	-	-
Reinsurance-related expenses	-	-
Claims handling expenses	(6,823)	(1,506)
Investment expenses	548	475
Fee business expenses	(1,133)	168
Other expenses	7,864	10,042
As of December	**39,768**	**45,036**

Table 3.2 Expenses by nature

in SGD thousands, as of	**2023**	2022
Expenses by nature		
Personnel and other related costs	39,935	27,994
Building, infrastructure and related costs	620	2,460
Brand and marketing expense	440	113
Commissions (net of iacf)	8,808	8,803
Premium taxes (net of iacf)	513	378
Asset and other non-income taxes	48	42
IT expenses	922	1,557
Outsourcing and professional services	361	7,288
Others	(11,879)	(3,600)
As of December	**39,768**	**45,036**

Table 3.3 Amount charged by auditor's firm

in SGD thousands, as of	**2023**	2022
Payable to the auditors of the company		
Audit fees	319	194
Non-audit fee	18	18
Others[1]	1	6
As of December	**338**	**218**

1 Includes out of pocket expenses

Notes to the financial statements

Income tax expense

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate for the financial years ended 31 December 2023 and 2022 is as follows:

Table 3.4 Income tax expenses

in SGD thousands, as of	**2023**	2022
Profit/(loss) before income tax	**10,098**	**7,947**
Tax calculated at a tax rate of 17% (2022: 17%)	1,717	1,351
Effects of:		
Non-deductible expenses	(221)	(172)
Enchanced Deductible	-	-
Tax losses utilised/(not recognised)	(1,496)	(1,179)
Tax charge	**-**	**-**

Estimates are made in determining the provision for income taxes.
The amount of unutilised tax losses as at 31 December 2023 is estimated to be SGD 55,000,000 (2022: SGD 71,000,000). Deferred tax assets arising from unutilised tax losses as at 31 December 2023 have not been recognised due to uncertainty of their recoverability against future taxable profits. Subject to the agreement with the Comptroller of Income Tax, these unutilised tax losses are available for utilisation against future taxable profits.

Notes to the financial statements

4. Investments

Table 4.1 Net investment income

in SGD thousands, for the years ended December 31	**2023**	Restated 2022
Investment Income		
Amounts recognised in the profit or loss		
Interest revenue	10,707	6,267
Net capital gain/(loss) on sale of investments measured at fair value through other comprehensive income	(3,366)	(1,686)
Impairment loss on financial assets	(22)	(73)
Net foreign exchange gain/(loss)	(6,175)	1,989
Other investment income/(expense)	(548)	(475)
Total amounts recognised in the profit or loss	**597**	**6,022**
Amounts recognised in OCI	**8,536**	**(13,909)**
Total investment income	**9,133**	**(7,887)**
Insurance finance expenses		
Unwind of discount	(6,739)	(3,134)
Changes in discount rate	(5,204)	10,988
Total insurance finance expenses	**(11,942)**	**7,854**
Represented by:		
Amounts recognised in profit or loss	(6,739)	(3,134)
Amounts recognised in OCI	(5,204)	10,988
Reinsurance finance (expense)/income		
Unwind of discount	5,294	2,600
Change in allowances with reinsurers	358	(996)
Changes in non-performance risk of reinsurer	3	2
Interest expense on reinsurance deposits	(1,905)	(403)
Changes in discount rate	4,353	(9,235)
Total reinsurance finance (expense)/income	**8,103**	**(8,032)**
Represented by:		
Amounts recognised in profit or loss	3,750	1,202
Amounts recognised in OCI	4,353	(9,235)
Total Investment Income, insurance finance expenses and reinsurance finance (expense)/income	**5,294**	**(8,065)**
Represented by:		
Amounts recognised in profit or loss	(2,392)	4,090
Amounts recognised in OCI	7,685	(12,155)

Notes to the financial statements

5. Insurance and reinsurance contracts

Insurance and reinsurance contracts presented within this note include (re-)insurance contract issued, including investment contract with discretionary participation features and reinsurance contract held accounted for under the respective accounting policies.
Portfolios of (re-)insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Portfolios of (re-)insurance contracts issued are presented within gross insurance contract liabilities and portfolios of reinsurance contracts held are presented within reinsurance insurance contract assets. All of the insurance contracts are eligible for and measured under the Premium Allocation Approach (PAA).
A summary of key financial figures for (re-)insurance contracts issued and reinsurance contracts held are shown in table 5.1.

Table 5.1a Overview of insurance and reinsurance contracts – current year

2023	Insurance	Reinsurance Held	Net
A&H, including Retail Travel	7,782	2,076	9,858
Marine	18,773	339	19,112
Credit and Political Risk (incl Surety)	40,171	(43,272)	(3,100)
Financial Lines, including Crime	79,380	(12,014)	67,366
Other (WC, Motor, Misc.)	1,581	(413)	1,167
Property (excluding Global Energy)	66,627	11,032	77,659
Global Energy Onshore	45,354	3,785	49,139
Global Energy Offshore	36,052	(454)	35,599
Engineering	73,590	(16,936)	56,654
Liability (excluding Global Energy)	34,107	(3,380)	30,728
Global Energy Casualty	1,789	83	1,873
MGA Fusion	11,456	(437)	11,019
Balance as of 31 December	**416,664**	**(59,590)**	**357,074**

Table 5.1b Overview of insurance and reinsurance contracts – prior year

2022	Insurance	Reinsurance Held	Net
A&H, including Retail Travel	8,668	258	8,926
Marine	17,551	(519)	17,032
Credit and Political Risk (incl Surety)	45,229	(50,504)	(5,276)
Financial Lines, including Crime	62,325	(9,849)	52,475
Other (WC, Motor, Misc.)	1,383	(409)	974
Property (excluding Global Energy)	59,303	19,357	78,659
Global Energy Onshore	68,818	(17,336)	51,482
Global Energy Offshore	28,518	(23,321)	5,197
Engineering	75,094	9,709	84,803
Liability (excluding Global Energy)	32,304	(503)	31,801
Global Energy Casualty	1,913	112	2,025
MGA Fusion	8,654	(1,844)	6,810
Balance as of 31 December	**409,759**	**(74,850)**	**334,909**

Notes to the financial statements

Table 5.2a Reconciliation of insurance contracts issued - current period

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	**Loss component**	**Estimate of the present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities, as of January 1, 2023	42,226	4,748	307,496	55,289	409,759
Insurance contract assets, as of January 1, 2023					
Net insurance contracts as of January 1, 2023	**42,226**	**4,748**	**307,496**	**55,289**	**409,759**
Insurance revenue	(215,570)	-	-	-	(215,570)
Incurred claims and other incurred insurance service expenses	-	-	135,849	15,984	151,833
Amortisation of insurance acquisition cash flows	7,677	-	-	-	7,677
Changes that relate to past service	-	-	(8,274)	(17,546)	(25,821)
Losses and reversal of losses on onerous contracts	-	(2,782)	-	-	(2,782)
Impairment and reversal of impairment of assets for insurance acquistion cash flows	-	-	-	-	-
Insurance service expenses	7,677	(2,782)	127,575	(1,562)	130,907
Total gross insurance service result	**(207,894)**	**(2,782)**	**127,575**	**(1,562)**	**(84,663)**
Cash in/(outflows) in the period					
Premiums received	219,228	-	-	-	219,228
Insurance acquisition cash flows	(7,821)	-	-	-	(7,821)
Claims and other insurance service expenses paid, including investment components	-	-	(133,328)	-	(133,328)
Net cash inflows/(outflows)	**211,407**	**-**	**(133,328)**	**-**	**78,079**
Insurance finance (income)/expense recognised in P&L	-	-	5,716	1,022	6,739
Insurance finance (income)/expense recognised in OCI	-	-	4,374	829	5,204
Foreign currency translation effects	1,932	-	(263)	(123)	1,547
Total changes not related to provision of insurance service	**1,932**	**-**	**9,828**	**1,729**	**13,489**
Insurance contract liabilities, as of December 31, 2023	47,671	1,966	311,571	55,456	416,664
Insurance contract assets, as of December 31, 2023	-	-	-	-	-
Net insurance contracts as of December 31, 2023	**47,671**	**1,966**	**311,571**	**55,456**	**416,664**

Notes to the financial statements

Table 5.2b Reconciliation of insurance contracts issued - prior period

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	**Loss component**	**Estimate of the present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities, as of January 1, 2022	41,411	12,754	314,661	60,372	429,198
Insurance contract assets, as of January 1, 2022	-	-	-	-	-
Net insurance contracts as of January 1, 2022	**41,411**	**12,754**	**314,661**	**60,372**	**429,198**
Insurance revenue	(206,450)	-	-	-	(206,450)
Incurred claims and other incurred insurance service expenses	-	-	119,299	14,678	133,977
Amortisation of insurance acquisition cash flows	6,993	-	-	-	6,993
Changes that relate to past service	-	-	(44,347)	(18,180)	(62,527)
Losses and reversal of losses on onerous contracts	-	(8,005)	-	-	(8,005)
Impairment and reversal of impairment of assets for insurance acquistion cash flows	-	-	-	-	-
Insurance service expenses	6,993	(8,005)	74,952	(3,503)	70,437
Total gross insurance service result	**(199,457)**	**(8,005)**	**74,952**	**(3,503)**	**(136,013)**
Cash in/(outflows) in the period					
Premiums received	208,909	-	-	-	208,909
Insurance acquisition cash flows	(6,726)	-	-	-	(6,726)
Claims and other insurance service expenses paid, including investment components	-	-	(73,663)	-	(73,663)
Net cash inflows/(outflows)	**202,184**	**-**	**(73,663)**	**-**	**128,520**
Insurance finance (income)/expense recognised in P&L	-	-	2,629	505	3,134
Insurance finance (income)/expense recognised in OCI	-	-	(9,189)	(1,800)	(10,988)
Foreign currency translation effects	(1,912)	-	(1,895)	(286)	(4,093)
Total changes not related to provision of insurance service	**(1,912)**	**-**	**(8,454)**	**(1,581)**	**(11,947)**
Insurance contract liabilities, as of December 31, 2022	42,226	4,748	307,496	55,289	409,759
Insurance contract assets, as of December 31, 2022	-	-	-	-	-
Net insurance contracts as of December 31, 2022	**42,226**	**4,748**	**307,496**	**55,289**	**409,759**

Notes to the financial statements

Table 5.3a Reconciliation of reinsurance contracts held - current period

	Liability for remaining coverage		Liability for incurred claims		
in SGD thousands	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Total
Reinsurance contract assets, as of January 1, 2023	1,932	349	69,211	32,793	104,286
Reinsurance contract liabilities, as of January 1, 2023	1,409	2,167	(45,406)	12,395	(29,435)
Net reinsurance contracts as of January 1, 2023	**3,341**	**2,517**	**23,805**	**45,188**	**74,850**
Reinsurance premiums	(140,949)	-	-	-	(140,949)
Recoveries of incurred claims and other insurance service expenses	-	-	81,065	12,282	93,347
Changes to recoveries of incurred claims that relate to past service	-	-	(3,748)	(14,082)	(17,831)
Changes that relate to onerous underlying contracts	-	(1,699)	-	-	(1,699)
Amounts recovered from reinsurance	-	(1,699)	77,317	(1,800)	73,817
Total reinsurance service result	**(140,949)**	**(1,699)**	**77,317**	**(1,800)**	**(67,131)**
Cash in/(outflows) in the period					
Reinsurance premiums paid	124,751	-	-	-	124,751
Amounts received under reinsurance contracts held, including investment components	-	-	(81,485)	-	(81,485)
Net cash inflows/(outflows)	**124,751**	**-**	**(81,485)**	**-**	**43,265**
Effect of changes in the risk of non-performance of reinsurers	3	-	358	-	361
Reinsurance finance income/(expense) recognised in P&L	-	-	2,567	822	3,389
Reinsurance finance income/(expense) recognised in OCI	-	-	3,643	710	4,353
Foreign currency translation effects	1,088	-	(534)	(51)	503
Other changes	(0)	-	(0)	(0)	(0)
Total changes not related to provision of reinsurance services	**1,091**	**-**	**6,035**	**1,480**	**8,606**
Reinsurance contract assets, as of December 31, 2023	(8,751)	795	48,446	36,416	76,906
Reinsurance contract liabilities, as of December 31, 2023	(3,015)	23	(22,775)	8,452	(17,316)
Net reinsurance contracs as of December 31, 2023	**(11,767)**	**817**	**25,671**	**44,868**	**59,590**

Notes to the financial statements

Table 5.3b Reconciliation of reinsurance contracts held - prior period

in SGD thousands	Liability for remaining coverage: Excluding loss component	Liability for remaining coverage: Loss component	Liability for incurred claims: Estimate of the present value of future cash flows	Liability for incurred claims: Risk adjustment	Total
Reinsurance contract assets, as of January 1, 2022	15,587	5,103	82,306	35,372	138,369
Reinsurance contract liabilities, as of January 1, 2022	4,405	1,411	(29,843)	15,174	(8,853)
Net reinsurance contracts as of January 1, 2022	**19,992**	**6,515**	**52,463**	**50,546**	**129,516**
Reinsurance premiums	(140,015)	-	-	-	(140,015)
Recoveries of incurred claims and other insurance service expenses	-	-	66,642	10,809	77,451
Changes to recoveries of incurred claims that relate to past service	-	-	(42,000)	(15,022)	(57,022)
Changes that relate to onerous underlying contracts	-	(3,998)	-	-	(3,998)
Amounts recovered from reinsurance	-	(3,998)	24,642	(4,214)	16,431
Total reinsurance service result	**(140,015)**	**(3,998)**	**24,642**	**(4,214)**	**(123,585)**
Cash in/(outflows) in the period					
Reinsurance premiums paid	124,019	-	-	-	124,019
Amounts received under reinsurance contracts held, including investment components	-	-	(46,125)	-	(46,125)
Net cash inflows/(outflows)	**124,019**	**-**	**(46,125)**	**-**	**77,894**
Effect of changes in the risk of non-performance of reinsurers	2	-	(996)	-	(995)
Reinsurance finance income/(expense) recognised in P&L	-	-	1,778	419	2,197
Reinsurance finance income/(expense) recognised in OCI	-	-	(7,689)	(1,545)	(9,235)
Foreign currency translation effects	(657)	-	(267)	(18)	(943)
Other changes	(0)	-	0	0	0
Total changes not related to provision of reinsurance services	**(656)**	**-**	**(7,175)**	**(1,145)**	**(8,976)**
Reinsurance contract assets, as of December 31, 2022	1,932	349	69,211	32,793	104,286
Reinsurance contract liabilities, as of December 31, 2022	1,409	2,167	(45,406)	12,395	(29,435)
Net reinsurance contracts as of December 31, 2022	**3,341**	**2,517**	**23,805**	**45,188**	**74,850**

Notes to the financial statements

Table 5.4a Development of insurance losses – gross – current period

in SGD thousands, as of December 31, 2023								
Estimate of undiscounted ultimate claims costs:	**AY 2017 and prior**	**AY 2018**	**AY 2019**	**AY 2020**	**AY 2021**	**AY 2022**	**AY 2023**	**Total**
- at end of accident year	521,747	76,953	87,610	165,207	115,519	95,310	112,973	112,973
- one year later	521,631	78,197	81,246	165,545	107,608	131,451		131,451
- two years later	485,651	75,962	76,921	146,584	102,870			102,870
- three years later	457,998	71,413	71,071	128,547				128,547
- four years later	453,836	72,823	63,259					63,259
- five years later	448,897	67,333						67,333
- six years later	435,017							435,017
Current estimate of claims incurred	**435,017**	**67,333**	**63,259**	**128,547**	**102,870**	**131,451**	**112,973**	**1,041,450**
Cumulative payments to date	(408,651)	(57,599)	(42,626)	(101,043)	(54,654)	(48,480)	(5,041)	(718,096)
Reserves for outstanding claims, gross of reinsurance	26,366	9,734	20,633	27,504	48,216	82,971	107,931	323,355
Unallocated loss adjustment expense reserve								7,420
Effects of discounting								(19,939)
Effects of the risk adjustment for non-financial risk								56,191
Total liabilities for incurred claims, gross of reinsurance								**367,026**

Table 5.4b Development of insurance losses – gross – prior period

in SGD thousands, as of December 31, 2022								
Estimate of undiscounted ultimate claims costs:	**AY 2016 and prior**	**AY 2017**	**AY 2018**	**AY 2019**	**AY 2020**	**AY 2021**	**AY 2022**	**Total**
- at end of accident year	459,096	62,651	76,953	87,610	165,207	115,519	95,310	95,310
- one year later	452,816	68,814	78,197	81,246	165,545	107,608		107,608
- two years later	427,466	58,185	75,962	76,921	146,584			146,584
- three years later	413,750	44,248	71,413	71,071				71,071
- four years later	413,051	40,785	72,823					72,823
- five years later	409,293	39,604						39,604
- six years later	400,192							400,192
Current estimate of claims incurred	**400,192**	**39,604**	**72,823**	**71,071**	**146,584**	**107,608**	**95,310**	**933,193**
Cumulative payments to date	(380,603)	(26,121)	(50,965)	(39,143)	(77,555)	(34,077)	(3,946)	(612,410)
Reserves for outstanding claims, gross of reinsurance	**19,589**	**13,483**	**21,858**	**31,928**	**69,029**	**73,532**	**91,364**	**320,783**
Unallocated loss adjustment expense reserve								6,608
Effects of discounting								(21,459)
Effects of the risk adjustment for non-financial risk								56,853
Total liabilities for incurred claims, gross of reinsurance								**362,785**

Notes to the financial statements

Table 5.5a Development of insurance losses – net – current period

in SGD thousands, as of December 31, 2023

Estimate of undiscounted ultimate claims costs:	**AY 2017 and prior**	**AY 2018**	**AY 2019**	**AY 2020**	**AY 2021**	**AY 2022**	**AY 2023**	**Total**
- at end of accident year	56,728	9,626	15,303	20,077	22,838	24,896	25,848	25,848
- one year later	51,858	11,711	18,882	18,885	24,872	27,581		27,581
- two years later	50,893	12,077	19,087	16,968	25,609			25,609
- three years later	51,834	11,173	18,372	13,076				13,076
- four years later	50,146	10,610	16,962					16,962
- five years later	49,502	10,495						10,495
- six years later	49,250							49,250
Current undiscounted estimate of claims incurred	**49,250**	**10,495**	**16,962**	**13,076**	**25,609**	**27,581**	**25,848**	**168,821**
Cumulative payments to date	(48,032)	(9,574)	(14,594)	(9,257)	(13,854)	(9,218)	(2,359)	(106,886)
Reserves for undiscounted outstanding claims	**1,218**	**921**	**2,369**	**3,819**	**11,755**	**18,363**	**23,489**	**61,935**
Unallocated loss adjustment expense reserve								7,420
Effects of discounting								(3,645)
Effects of the risk adjustment for non-financial risk								10,703
Risk of non performance allowance for reinsurance contract								88
Deposit held under reinsurance treaties								219,987
Total liabilities for incurred claims, net of reinsurance								**296,487**

Table 5.5b Development of insurance losses – net – prior period

in SGD thousands, as of December 31, 2022

Estimate of undiscounted ultimate claims costs:	**AY 2016 and prior**	**AY 2017**	**AY 2018**	**AY 2019**	**AY 2020**	**AY 2021**	**AY 2022**	**Total**
- at end of accident year	50,858	5,870	9,626	15,303	20,077	22,838	24,896	24,896
- one year later	47,221	4,638	11,711	18,882	18,885	24,872		24,872
- two years later	45,755	5,137	12,077	19,087	16,968			16,968
- three years later	47,122	4,711	11,173	18,372				18,372
- four years later	45,873	4,272	10,610					10,610
- five years later	45,364	4,138						4,138
- six years later	45,291							45,291
Current undiscounted estimate of claims incurred	**45,291**	**4,138**	**10,610**	**18,372**	**16,968**	**24,872**	**24,896**	**145,148**
Cumulative payments to date	(44,609)	(3,332)	(9,093)	(13,614)	(7,190)	(7,562)	(1,655)	(87,054)
Reserves for undiscounted outstanding claims	**682**	**806**	**1,517**	**4,759**	**9,779**	**17,310**	**23,242**	**58,094**
Unallocated loss adjustment expense reserve								6,608
Effects of discounting								(3,622)
Effects of the risk adjustment for non-financial risk								10,336
Risk of non performance allowance for reinsurance contract								132
Deposit held under reinsurance treaties								222,245
Total liabilities for incurred claims, net of reinsurance								**293,792**

Notes to the financial statements

Insurance risk

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

The Branch's operations are diversified by line of business and the geographic spread of risk. A global approach to risk management allows the Branch to underwrite and accept large insurance accounts.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. The exposure is transferred to the Branch through the underwriting process. The Branch actively seeks to write those risks it understands and that provide a reasonable opportunity to earn an acceptable profit. As the Branch assumes certain customer risks, it aims to manage that transfer of risks, and minimise unintended underwriting risks, through such means as:

- Establishing limits for underwriting authority;
- Requiring specific approvals for transactions involving new products or, where established, limits of size and complexity may be exceeded;
- Using a variety of reserving and modelling methods to address the various insurance risks inherent in the insurance business; and
- Ceding insurance risk through proportional and non-proportional treaties as well as facultative reinsurance contracts.

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. The concentration of insurance risk before and after reinsurance grouped by portfolios of similar risk can be seen in table 5.1 above which shows the carrying amount of the insurance and reinsurance contracts. The Branch conducts sensitivity analyses to quantify the exposure to the risk of changes in key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above (see note 2).

The movement in any key variable will impact the performance and head office account of the Branch. The table below shows how a change in ultimate loss ratios for current accident year across all lines of business will affect the best estimate of net outstanding claims reserves and therefore profit or loss.

Table 5.6a Sensitivity analysis – current period

		FY 2023			
in SGD thousands, as of	**Changes in assumptions**	**Impact on profit before tax gross of reinsurance**	**Impact on profit before tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**
Ultimate loss ratio	+ 10%	(25,885)	(5,539)	(25,581)	(5,482)
Discount rate	+ 1%	139	32	4,588	871
Ultimate loss ratio	- 10%	25,885	5,539	25,581	5,482
Discount rate	- 1%	(140)	(32)	(4,803)	(903)

Table 5.6b Sensitivity analysis – prior period

		FY 2022			
	Changes in assumptions	**Impact on profit before tax gross of reinsurance**	**Impact on profit before tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**
Ultimate Loss Ratio	+ 10%	(25,234)	(5,188)	(24,587)	(5,071)
Discount Rate	+ 1%	119	32	4,379	798
Ultimate Loss Ratio	- 10%	25,234	5,188	24,587	5,071
Discount Rate	- 1%	(120)	(32)	(4,598)	(828)

Notes to the financial statements

6. Receivable and other assets

Table 6.1 Receivable and other assets

in SGD thousands, as of	**2023**	2022
Financial assets		
Other receivables		
from head office affiliates	4,734	3,254
from third parties	779	659
other fee services	246	406
Derivative assets	466	589
Amounts due from investment brokers	32	-
Accrued investment income	2,491	2,595
Non-financial assets		
Prepaid expenses	2,353	3,051
Total	**11,102**	**10,555**

Derivative assets are carried at fair value through profit and loss.

The table below shows the fair value and notional amounts for instruments as of 31 December. While these notional amounts express the extent of the Branch's involvement in derivative transactions, they do not, however, represent the amounts at risk.

Table 6.2 Development of derivative financial instruments

in SGD thousands, as of	**2023**	2022
Beginning of the year	**589**	**(34)**
Fair Value (losses) / gains recognised	(517)	624
End of the financial year	**72**	**589**

Table 6.3 Details of derivative financial instruments

	Currency pair	**Spot rate**	**Forward rate**	**Buy currency**	**Buy** in SGD thousands	**Sell currency**	**Sell** in SGD thousands	**Mark to market** in SGD thousands
2023	SGD/AUD	0.8665	0.8652	AUD	12,860	SGD	11,127	435
2023	SGD/EUR	1.4545	1.4543	EUR	7,310	SGD	10,631	31
2023	USD/SGD	1.3597	1.3540	USD	10,280	SGD	14,650	(394)
Total 2023								**72**
2022	SGD/USD	1.3971	1.3958	SGD	13,191	USD	9,450	525
2022	AUD/SGD	0.9031	0.9058	AUD	9,860	SGD	8,931	64
Total 2022								**589**

Notes to the financial statements

7. Property, plant and equipment

Table 7.1a Development of property, plant and equipment – current period

2023 in SGD thousands, as of	**Leasehold improvements**	**Furniture and fittings**	**Computer equipment**	**Right of use of assets**	**Total**
Cost					
Balance at 1 Jan 2023	1,666	12	447	7,862	9,988
Additions	3,041	22	219	11,631	14,914
Disposal	(1,666)	(12)	(242)	(7,862)	(9,783)
Balance at 31 December 2023	3,041	22	424	11,631	15,119
Accumulated depreciation					
Balance at 1 Jan 2023	(1,340)	(12)	(343)	(4,024)	(5,719)
Charge for the year	(358)	(1)	(67)	(715)	(1,142)
Disposal	1,666	12	226	4,602	6,506
Balance at 31 December 2023	(32)	(1)	(184)	(137)	(355)
Net book value					
Balance at 31 December 2023	**3,009**	**21**	**240**	**11,494**	**14,764**

Table 7.1b Development of property, plant and equipment – prior period

2022 in SGD thousands, as of	**Leasehold improvements**	**Furniture and fittings**	**Computer equipment**	**Right of use of assets**	**Total**
Cost					
Balance at 1 Jan 2022	1,666	12	386	7,862	9,927
Additions	-	-	62	-	62
Balance at 31 December 2022	1,666	12	447	7,862	9,988
Accumulated depreciation					
Balance at 1 Jan 2022	(639)	(12)	(293)	(3,041)	(3,985)
Charge for the year	(702)	-	(49)	(983)	(1,734)
Balance at 31 December 2022	(1,340)	(12)	(343)	(4,024)	(5,719)
Net book value					
Balance at 31 December 2022	**326**	**-**	**105**	**3,838**	**4,269**

All property, plant and equipment are non-current.

Notes to the financial statements

8. Payables and other liabilities

Table 8.1 Payables and other liabilities

in SGD thousands, as of	**2023**	2022
Other financial liabilities		
Derivative liabilities	394	-
Other accrued Liabilities	10,418	8,895
Lease liabilities	11,744	4,192
Other non-financial liabilities	-	-
Non-income tax payables	1,146	1,063
Other non-financial liabilities	102	2,722
Provisions	383	2,713
Total	**24,188**	**19,586**

Insurance payables and other payables are due within the next 12 months. The payables from related corporations are carried at amortised cost and are unsecured, interest-free and are repayable on demand.
Derivative liabilities are carried at fair value through profit and loss. For more information on derivative liabilities see note 6.

Table 8.2 Development of lease liabilities

in SGD thousand for the years	**2023**	2022
Development of lease liabiliaties		
Balance at 1 January	4,192	5,142
Payments	(1,017)	(1,124)
Accretion of interest	200	174
Lease modification	(3,263)	-
New lease added	11,631	-
Total	**11,744**	**4,192**

There is no variable lease payment in all lease arrangements. Low-value lease expense amounting to $14,000 (2022: $13,000) is not capitalised in lease liabilities.

Notes to the financial statements

Table 8.3 Current / non-current lease amounts

in SGD thousands, as of	**2023**	2022
Lease Liabilities		
Current portion	782	989
Non-current portion	10,962	3,203
Balance as of 31 December	**11,744**	**4,192**

Table 8.4 Lease amounts in profit and loss

in SGD thousands, as of	**2023**	2022
Amount recognised in profit and loss		
Depreciation of right of use assets	715	983
Interest expense on lease liabilities	200	174
Low value lease expense	14	13
Total lease amounts in profit and loss	**929**	**1,170**

Table 8.5 Cash flow for leases

in SGD thousands, as of	**2023**	2022
Amounts recognised in statement of cash flows		
Total cash outflow for leases	**1,017**	**1,124**

Notes to the financial statements

9. Related party transactions

The Branch has the following significant related party transactions which took place during the financial year on terms agreed between the parties:

a) Sales and purchases of services

Table 9.1 Sales and purchases of services

in SGD thousands, as of	**2023**	2022
Business ceded to Head Office Subsidiaries		
Premium accepted, included in insurance revenue	176,466	(166,953)
Commission expenses paid, included in insurance service expenses	43,385	40,309
Gross claims (written-back)/incurred, included in insurance service expenses	71,677	29,807
Expenses relating to management, risk engineering and investment-related services received from Head Office	(1,746)	(2,923)
Expenses relating to management,risk engineering services received from other related parties	(8,929)	(9,516)
Income relating to management and risk engineering services rendered to Head Office	361	796
Income relating to management and risk engineering services rendered to other related parties	24,277	14,975

Outstanding balances as at 31 December 2023 and 2022, arising from sales/purchases of services, are set out in Notes 6 and 8 respectively.

b) Key management personnel compensation

The key management personnel compensation includes salary, bonus and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Branch and when the Branch did not incur any costs, the value of the benefit.

Key management personnel compensation is analysed as follows:

Table 9.2 Key management personnel compensation

in SGD thousands, as of	**2023**	2022
Salaries and other short term employee benefits	2,679	2,311
Share-based remuneration expenses	596	915
Total	**3,275**	**3,226**

Notes to the financial statements

c) Share-based compensation: The Group Long-Term Incentive Plan ("LTIP")

Participants in this plan are allocated a target number of performance shares units (PSUs) as notional shares of Zurich Insurance Group Ltd in April each year. The number of PSUs to be allocated is calculated according to each participant's annual target amount which is expressed as a percentage of their annual base salary.

PSUs allocated in 2023 will vest after a period of three years following the year of allocation (three years cliff vesting), with the actual level of vesting between 0 percent and 200 percent of the target shares allocated, depending on the achievement of pre-defined performance criteria. The performance criteria used to determine the level of vesting are the Zurich Insurance Group's return on shareholders' equity (ROE), the position of its relative total shareholder return (TSR) measured against an international peer group of insurance companies, and the achievement of cash remittance targets. The three pre-defined performance criteria are each assessed over a period of three consecutive financial years starting in the year of allocation. One half of the shares that actually vest are sales- restricted for a further three years. To further align the participants with the interests of the shareholders, effective from 1 January 2014, the target shares are credited with dividend equivalent shares during the vesting period to compensate participants in LTIP for dividends paid to Zurich Insurance Group shareholders. As of 31 December 2023, and 2022 there were 1,281 and 1,305 participants in this plan group-wide, respectively. The fair value of each allocated share at the grant date was CHF 444 and CHF 451 in 2023 and 2022 respectively.

Notes to the financial statements

10. Financial risk management objectives and policies

The Branch is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk (include price equity risk, interest rate risk, foreign currency risk), liquidity risk and credit risk. The Branch's risk management approach seeks to minimise the potential material adverse effects from these risks exposures. These risks arise from the investment and underwriting activities of the business. Investment activity of the business is exposed to the general and specific market movements. The underwriting activity of the business generates credit and liquidity risk through insurance and reinsurance receivables and payables.
There has been no change to the Branch's exposure to these financial risks or the manner in which it manages and measures the risks.

Underwriting activity governance

The Branch follows the Group philosophy on underwriting strategy. The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across lines of business and geographic regions. The Group seeks to optimise shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process. In line with Group policy, the Branch implements four major processes for underwriting governance – underwriting strategy, authorities, referrals and reviews.
A fundamental component of managing insurance risk is underwriting discipline. The Branch sets limits on underwriting capacity, and cascades authority to individuals based on their specific expertise. The Branch sets appropriate pricing guidelines with a focus on consistent technical pricing across the organisation. As part of these guidelines, the Branch requires the setting of a technical price according to common standards. The technical price is set in a way that allows a return on risk-based capital in line with the Group's target. The ratio of actual premium to technical price is a key performance metric, which is monitored regularly. Technical reviews confirm whether underwriters perform within authorities and adhere to underwriting philosophies and policies. The Branch has governance procedures to review and approve potential new products to evaluate whether the risks are well understood and justified by the potential returns.

Investment activity governance

The principal investment objective of the Branch is to ensure that funds will be available to meet the Branch's primary insurance and reinsurance obligations. Within this broad liquidity constraint, the investment portfolio's structure seeks to maximise return subject to specifically-approved guidelines of overall asset classes, credit quality, liquidity, and volatility of expected returns. As such, the Branch's investment portfolio is invested primarily in investment-graded fixed-income securities as measured by the major rating agencies.
The management of the Branch's investment portfolio is the responsibility of the Asset Liability Management – Investment Committee (ALMIC) for monitoring, evaluating, development and coordination of the Branch's investment-related activities. This includes reviewing local investment outlook, investment results, portfolio analysis, investment strategy (strategic asset allocation) and setting investment policies.
The majority of the invested assets are fixed income securities or equities, so the primary risk drivers are interest rates, credit spreads and equity.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity products all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Foreign currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Branch operates internationally through Global Programs and is therefore exposed to the financial impact arising from changes in the exchange rates of various currencies. The Branch's functional currency is Singapore dollars, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in US dollars ("USD"), South Korean Won ("KRW"), Taiwan Dollar ("TWD") and Japanese Yen ("JPY").

The Branch's currency exposure based on the information provided to key management is as follows:

Notes to the financial statements

Table 10.1a Currency Balance Sheet – current period

in SGD thousands, as of 2023	SGD	USD	KRW	TWD	JPY	Others	Total
Financial and reinsurance assets							
Derivative financial assets	466	-	-	-	-	-	466
Debt securities at fair value through other comprehensive income	334,721	66,284	-	-	-	-	401,006
Equity securities at fair value through profit or loss	-	-	-	-	-	-	-
Equity securities at fair value through other comprehensive income	13,582	2,640	-	-	-	-	16,222
Reinsurance contract assets	(279,421)	151,009	55,260	4,031	10,659	135,368	76,906
Receivables and other assets excluding prepayments	7,677	606	-	-	-	-	8,283
Property, plant and equipment	14,764	-	-	-	-	-	14,764
Intangible assets	556	-	-	-	-	-	556
Cash & Cash Equivalent	7,601	13,759	-	-	-	-	21,360
Total assets	**99,946**	**234,298**	**55,260**	**4,031**	**10,659**	**135,368**	**539,563**
Financial and insurance liabilities							
Derivative financial liability	(394)	-	-	-	-	-	(394)
Insurance contract liabilities	(76,813)	(168,637)	(44,795)	(2,839)	(5,032)	(118,548)	(416,664)
Other payables and liabilities *excluding reinstatement cost and GST payable	(10,546)	-	-	-	-	-	(10,546)
Lease liabilities	(11,744)	-	-	-	-	-	(11,744)
Reinsurance contract liabilities	62,913	(34,000)	(12,442)	(908)	(2,400)	(30,479)	(17,316)
Total liabilities	**(36,584)**	**(202,637)**	**(57,237)**	**(3,747)**	**(7,432)**	**(149,027)**	**(456,664)**
Currency exposure		**31,661**	**(1,977)**	**285**	**3,227**	**(13,659)**	

Notes to the financial statements

Table 10.1b Currency Balance Sheet – prior period

in SGD thousands, as of 2022	SGD	USD	KRW	TWD	JPY	Others	Total
Financial and reinsurance assets							
Derivative financial assets	589		-	-	-	-	589
Debt securities at fair value through other comprehensive income	289,993	60,594	-	-	-	-	350,587
Equity securities at fair value through profit or loss	-	-	-	-	-	-	-
Equity securities at fair value through other comprehensive income	13,590	2,682	-	-	-	-	16,272
Reinsurance contract assets	(172,586)	168,369	73,464	4,380	13,983	16,676	104,286
Receivables and other assets excluding prepayments	6,522	393	-	-	-	-	6,915
Property, plant and equipment	4,269	-	-	-	-	-	4,269
Intangible assets	556	-	-	-	-	-	556
Cash and cash equivalents	16,923	21,298	-	-	-	-	38,221
Total assets	**159,856**	**253,336**	**73,464**	**4,380**	**13,983**	**16,676**	**521,695**
Financial and insurance liabilities							
Insurance contract liabilities	(92,536)	(209,110)	(63,712)	(1,530)	(9,033)	(33,838)	(409,759)
Other payables and liabilities *excluding reinstatement cost and GST payable	(14,153)	-	-	-	-	-	(14,153)
Lease liabilities	(4,192)	-	-	-	-	-	(4,192)
Reinsurance contract liabilities	48,713	(47,523)	(20,736)	(1,236)	(3,947)	(4,707)	(29,435)
Total liabilities	**(62,168)**	**(256,633)**	**(84,448)**	**(2,766)**	**(12,980)**	**(38,545)**	**(457,539)**
Currency exposure		**(3,297)**	**(10,983)**	**1,614**	**1,003**	**(21,869)**	

The Branch has foreign exchange rate risk exposure mainly in US Dollars with immediate holding company/related companies balances and transactions.

Notes to the financial statements

The following table demonstrates the sensitivity of the Branch's profit/(loss) before tax to a reasonably possible change in the US Dollar, KRW, TWD and JPY exchange rates against the functional currency of the Branch, with all other variables held constant.

Table 10.2 Foreign currency sensitivity analysis

in SGD thousands, as of	Increase/ (decrease) In profit before tax **2023**	Increase/ (decrease) In profit before tax 2022
USD/SGD		
strengthened 5% (2022: 5%)	1,583	(165)
weakened 5% (2022: 5%)	(1,583)	165
KRW/SGD		
strengthened 5% (2022: 5%)	(99)	(549)
weakened 5% (2022: 5%)	99	549
TWD/SGD		
strengthened 5% (2022: 5%)	14	81
weakened 5% (2022: 5%)	(14)	(81)
JPY/SGD		
strengthened 5% (2022: 5%)	161	50
weakened 5% (2022: 5%)	(161)	(50)

Price risk

Price risk arises from negative changes in equity values. Investments in equity are diversified and focus on developed market to manage the price risk.

Interest rate risk

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 rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The Branch manages its interest rate risk by placing such balances on varying maturities and interest rate term. The income and operating cash flows are substantially independent of the changes in market interest rates, as a large proportion of the Branch's investment are in fixed income securities.

Table 10.3 Interest rate sensitivity analysis

	Increase/(decrease) profit before tax	
in SGD thousands, as of	**2023**	2022
Debt securities at fair value through OCI		
Increase by 100 bps (2022: +100bps)	(9,969)	(8,332)
Decrease by 100 bps (2022: -100bps)	9,969	8,332

Notes to the financial statements

b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. It is the Branch's policy to provide credit terms to diverse and creditworthy customers. These debts are continually monitored and therefore, the Branch does not expect to incur material credit losses.

Credit risk – investment

Credit spread risk arises from modified expectations on the counterparty capability to honour its financial commitments. The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments; setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality. The Branch applies the low credit risk simplification for the rated debt securities and recognises a 12-months expected credit loss (ECL) for debt securities that have an external rating equivalent to 'investment grade' (i.e., AAA to BBB-). Other exposures are assessed for significant increase in credit risk. The carrying amount of debt securities by credit risk rating grades and the related expected credit losses recognised are as follows:

Table 10.4 Credit risk of investments

in SGD thousands, as of	Carrying amount	% of total	12 months ECL	Lifetime ECL
Rating				
AAA	270,160	67%	41	-
AA- up to and including AA+	34,378	9%	7	-
A- up to and including A+	45,299	11%	22	-
BBB up to and including BBB+	23,352	6%	25	-
BBB-	2,457	1%	5	-
BB+ and below	25,360	6%	5	-
Total as of 31 December, 2023	**401,006**	**100%**	**105**	**-**

The table below provides a reconciliation for financial assets measured at fair value through OCI or at amortized cost between the gross carrying amount and the net carrying amount, including the recognition of 12-months ECL and lifetime ECL by asset type.
The gross carrying amount represents fair value for debt instruments measured at FVOCI and amortized cost (prior to recognition of any ECL) for debt instruments measured at amortized cost. The net carrying amount represents the balance sheet carrying amount (i.e., fair value for debt instruments measured at FVOCI and amortized cost less ECL allowance for debt instruments measured at amortized cost.

Table 10.5 Investments at FVOCI and receivables and other financial assets by ECL stage

in SGD thousands,	Carrying amount	12 months ECL	Lifetime ECL	Net carrying amount
Debt securities:				
of which government bonds	292,255	(45)	-	292,210
of which corporate securities	108,750	(60)	-	108,690
Total debt securities	401,006	(105)	-	400,901
Receivables and other financial assets[1]	6,758	-	(500)	6,258
As of December 31, 2023	**407,764**	**(105)**	**(500)**	**407,159**

1 Excludes prepayments and accrued investment income

Notes to the financial statements

The development of allowances for expected credit losses from financial assets are as follows:

Table 10.6 Development of ECL allowance by type of financial asset – current period

	Debt Securities		Other financial assets at amortized cost	
in SGD thousands,	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
As of January 1, 2023	(83)	-	-	(201)
Debt securities that have been derecognised during the period	32	-	-	-
Additions	(40)	-	-	(299)
Write-offs	-	-	-	-
Other changes[1]	(13)	-	-	-
Foreign currency translation effects	0	-	-	-
As of December 31, 2023	**(105)**	**-**	**-**	**(500)**

1 Remeasurement without stage transfer/change in methodology

Credit risk – insurance operations

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations. The Branch's exposure to credit risk is derived from the following main classes of assets:

- Cash and cash equivalents
- Insurance receivables, included as part of insurance contract liabilities
- Receivables and other assets
- Reinsurance assets

As part of its overall risk management strategy, the Branch cedes insurance risk through proportional and non-proportional treaties as well as facultative reinsurance contracts. While these cessions mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance expose the Branch to credit risk. The Group also maintains a list of authorised reinsurers that the Branch needs to consider in selecting external reinsurers.

The bulk of the Branch's policyholders settle their monthly debts within 30 to 90 days of the premium due date which is based on standard terms. The Branch's premium control processes monitor any build-up of aged debt and, should premiums become more than 6 months overdue, the Branch reserves the right to cancel the policy or withhold claims at its discretion.

Reinsurance contracts in table 10.7 are shown after taking into account collateral such as cash and deposits received under ceded reinsurance contracts.

Table 10.7 Reinsurance contracts by rating of reinsurer

as of December 31	**2023**		2022	
	Reinsurance recoverable			
	in SGD thousands	**% of total**	in SGD thousands	% of total
Rating				
AAA	-	0%	-	0%
AA	17,479	29%	28,902	39%
A	25,616	43%	1,522	2%
BBB	16,602	28%	43,969	59%
BB	-	0%	-	0%
B and below	-	0%	66	0%
Unrated	(107)	0%	391	1%
Total	**59,590**	**100%**	**74,850**	**100%**

Notes to the financial statements

Financial assets that are neither past due nor impaired

Bank deposits and investments in debt and equity securities are neither past due nor have a significantly higher credit risk since initial recognition. Bank deposits are placed with reputable banks and financial institutions, and investments are in bonds, government-related securities, and index-linked funds. The bond portfolio and funds placed with the external asset manager are primarily invested in investment grade securities. Insurance and other receivables and reinsurance assets that are neither past due nor impaired are substantially companies with a good collection history with the Branch.

c) Liquidity risk

Liquidity risk is the risk that the insurer may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Branch's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Branch monitors and manages its liquidity needs on an ongoing basis.

The Branch uses Group-wide liquidity management policies and specific guidelines on how to plan, manage and report liquidity. The Branch performs asset liability matching as part of its ALMIC meetings to align the duration of the investments to the insurance liabilities.

Analysis of financial instruments by remaining contractual maturities

The following were the contractual maturities of financial assets and liabilities of the Branch:

Table 10.8a Maturity of balance sheet items – current year

2023	Less than one year	1 year	2 years	3 years	4 years	5 years	More than five years	Total
Financial and reinsurance assets								
Derivative financial assets	466	-	-	-	-	-	-	466
Debt securities at fair value through other comprehensive income	68,845	129,395	81,612	45,962	26,801	18,364	30,027	401,006
Reinsurance contract assets	(8,373)	27,567	20,033	14,630	9,551	13,498	-	76,906
Receivables and other assets excluding prepayments	8,283	-	-	-	-	-	-	8,283
Cash and cash equivalents	21,360	-	-	-	-	-	-	21,360
Total financial and reinsurance assets[1]	**90,581**	**156,962**	**101,645**	**60,592**	**36,353**	**31,862**	**30,027**	**508,021**
Financial and insurance liabilities								
Derivative financial liabilities	394	-	-	-	-	-	-	394
Insurance contract liabilities	80,409	112,430	82,767	59,524	38,070	43,463	-	416,664
Reinsurance contract liabilities	24,652	(2,979)	(2,179)	(1,387)	(669)	(123)	-	17,316
Payables and other liabilities excluding GST payable and provision for reinstatement cost	10,546	-	-	-	-	-	-	10,546
Lease liabilities[2]	1,437	1,658	1,660	1,989	2,067	2,067	3,940	14,819
Total financial and insurance liabilities	**117,438**	**111,110**	**82,249**	**60,126**	**39,468**	**45,407**	**3,940**	**459,738**
Total net financial and reinsurance/insurance assets/(liabilities)	**(26,857)**	**45,852**	**19,396**	**465**	**(3,116)**	**(13,545)**	**26,088**	**48,282**

1 Excludes equity securities as they do not have a maturity date

2 Disclosure of undiscounted cash flows. Carrying amounts are disclosed in note 8

Notes to the financial statements

Table 10.8b Maturity of balance sheet items – prior year

2022	Less than one year	1 year	2 years	3 years	4 years	5 years	More than five years	Total
Financial and reinsurance assets								
Derivative financial assets	589	-	-	-	-	-	-	589
Debt securities at fair value through other comprehensive income	41,826	161,558	86,081	10,753	20,060	6,411	23,897	350,587
Reinsurance contract assets	22,856	26,100	19,293	14,036	8,911	13,088	-	104,286
Receivables and other assets excluding prepayments	6,915	-	-	-	-	-	-	6,915
Cash and cash equivalents	38,221	-	-	-	-	-	-	38,221
Total financial and reinsurance assets[1]	**110,408**	**187,659**	**105,374**	**24,790**	**28,971**	**19,499**	**23,897**	**500,598**
Financial and insurance liabilities								
Insurance contract liabilities	103,934	98,026	72,460	52,716	33,469	49,154	-	409,759
Reinsurance contract liabilities	34,752	(1,704)	(1,260)	(916)	(582)	(854)	-	29,435
Payables and other liabilities excluding GST payable and provision for reinstatement cost	11,644	-	-	-	-	-	-	11,644
Lease liabilities[2]	1,127	1,161	1,161	1,054	-	-	-	4,503
Total financial and insurance liabilities	**151,456**	**97,483**	**72,362**	**52,854**	**32,887**	**48,300**	**-**	**455,341**
Total net financial and reinsurance/insurance assets/(liabilities)	**(41,048)**	**90,176**	**33,013**	**(28,064)**	**(3,916)**	**(28,801)**	**23,897**	**45,257**

1 Excludes equity securities as they do not have a maturity date

2 Disclosure of undiscounted cash flows. Carrying amounts are disclosed in note 8

Notes to the financial statements

d) Fair value measurement

The financial instruments are measured and carried at fair value and classified by level of the following fair value measurement hierarchy:
Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Branch can access at the measurement date;
Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 - inputs for the asset or liability that are not based on observable market data.

Unit trusts, which are actively traded in an exchange market, are classified as Level 1. Fair values for fixed maturities are obtained from third party pricing providers based on quoted prices in an active market for identical assets. Alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models and are classified as Level 2.

Table 10.9 Investments by Level

in SGD thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
2023				
Recurring fair value measurements				
Investment securities				
Equity securities	16,222			**16,222**
Debt securities		401,006		**401,006**
Derivative financial asset		466		**466**
Derivative financial liability		(394)		**(394)**
2022				
Recurring fair value measurements				
Investment securities				
Equity securities	16,272			**16,272**
Debt securities		350,587		**350,587**
Derivative financial asset		589		**589**

There have been no transfers between Level 1 and Level 2 and Level 3 during the financial years ended 2023 and 2022.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and cash equivalents, insurance and other receivables, other assets excluding prepayments, insurance and other payables, other liabilities excluding provision for reinstatement cost, amount due from/to Head Office and Head Office subsidiaries based on their notional amount, approximate their fair values because these are mostly short term in nature or are repayable on demand. The carrying amounts of insurance receivables and payables approximate their fair values because these are subject to normal trade credit terms.

Notes to the financial statements

11. Capital management

The Branch's objectives when managing capital are to:

- comply with the insurance capital requirements as set out in the Insurance (Valuation and Capital) Regulations under the Insurance Act 1966. In this respect the Branch manages its capital on a basis of 135% of its minimum regulatory capital position. Management considers the current capital adequacy ratio of 190% (2022: 176%) sufficient to optimise shareholder's return and to support the capital required to write its business;
- safeguard the Branch's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In addition to other applicable regulatory requirements, insurers are required to maintain actuarial reserves under the Insurance Act 1966 to protect against the risk of adverse development in reserves for outstanding claims in the future. The amount of the actuarial reserve is disclosed in Note 5.

12. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2023 were authorised for issue by the Chief Executive Officer on 29 April 2024.