Branch Registration Number. T08FC7171K

Zurich Insurance Company Ltd

(Incorporated in Switzerland)
Singapore Branch

Pursuant to Section 373 of the Singapore Companies Act 1967

Annual Financial Statements
31 December 2024

Building a better working world

Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

General information

Chief Executive

Liam Burrell

Registered Office

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

Auditor

Ernst & Young LLP

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Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

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 2024, 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.

Liam Burrell
Chief Executive Officer

Singapore
25 April 2025

Independent auditor's report to the member of 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 2024, 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 2024, 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 1, 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.

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

25 April 2025

Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

Statement of comprehensive income
For the financial year ended 31 December 2024

	Note	2024 $'000	2023 $'000
Insurance revenue	5	236,534	215,570
Insurance service expense	5	(80,891)	(130,907)
Gross insurance service result		155,643	84,663
Reinsurance premiums	5	(151,095)	(140,949)
Amounts recoverable from reinsurance	5	18,581	73,817
Net expense from reinsurance contracts held		(132,514)	(67,131)
Insurance service result		23,129	17,531
Interest revenue	4	13,601	10,024
Other investment income	4	796	683
Net capital gain/(loss) on sale of investments measured at fair value through other comprehensive income	4	(1,223)	(3,316)
Change in fair value of investments measured at fair value through profit and loss	4	2,631	(50)
Change in fair value of derivatives measured at fair value through profit and loss	4	(1,212)	(384)
Impairment loss on financial assets	4	2	(22)
Net foreign exchange gain/(loss)	4	(1,207)	(5,791)
Insurance finance expenses	4	(9,299)	(6,739)
Reinsurance finance income	4	7,742	5,656
Interest expense on reinsurance deposits	4	(2,012)	(1,905)
Other investment income/(expense)	4	(539)	(548)
Net investment result		9,280	(2,392)
Other income/(expense)		(6,950)	(4,542)
Change of ECL allowance		226	(299)
Finance cost	3	(644)	(200)
Profit/(loss) before tax		25,041	10,098
Income tax expense	3	–	–
Profit/(loss) after tax		25,041	10,098
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	2,834	5,221
Fair value gain/(loss) transferred to profit or loss on disposal	4	1,223	3,316
Change in discount rate for insurance/reinsurance contracts	4	(709)	(851)
Other comprehensive income/(loss) for the financial year		3,348	7,685
Total comprehensive income/(loss) for the financial year		28,389	17,783

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

Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

Statement of financial position
As at 31 December 2024

	Note	2024	2023
		$'000	$'000
Assets			
Cash and cash equivalents		20,709	21,360
Debt securities at fair value through other comprehensive income	11	435,904	401,006
Equity securities at fair value through profit and loss	11	21,364	16,222
Reinsurance contract assets	5	107,571	76,906
Receivables and other assets	6	16,730	11,102
Property, plant and equipment	7	17,485	14,764
Intangible assets		556	556
Total assets		620,319	541,916
Liabilities			
Insurance contract liabilities	5	471,890	416,664
Reinsurance contract liabilities	5	5,704	17,316
Payables and other liabilities	8	30,588	24,188
Total liabilities		508,182	458,168
Net assets		112,137	83,748
Head office account			
Head office contributions		154,300	154,300
Fair value reserve		(887)	(4,944)
Insurance/reinsurance finance reserve		74	783
Accumulated losses		(41,350)	(66,391)
Total head office account		112,137	83,748

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

Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

Statement of changes in Head Office account
For the financial year ended 31 December 2024

	Head office contributions $'000	Fair value reserve $'000	Insurance/ reinsurance financial reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2024	154,300	(4,944)	783	(66,391)	83,748
Profit for the financial year	–	–	–	25,041	25,041
Other comprehensive income					
- Fair value gain / (loss) during the financial year	–	2,834	–	–	2,834
- Reclassification to profit or loss on disposal	–	1,223	–	–	1,223
- Change in discount for insurance/reinsurance contracts	–	–	(709)	–	(709)
Total comprehensive income for the financial year	–	4,057	(709)	25,041	28,389
Transfer from Head Office	–	–	–	–	–
At 31 December 2024	154,300	(887)	74	(41,350)	112,137
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 / (loss) 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 income 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.

Zurich Insurance Company Ltd
(Incorporated in Switzerland)
Singapore Branch

Statement of cash flows
For the financial year ended 31 December 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Profit/(loss) before tax		25,041	10,098
Adjustments for:			
- Depreciation expense	7	1,983	1,142
- (Gain)/loss on disposal of property, plant and equipment	7	3	17
- Fair value (gain)/loss on derivative financial instruments	6	1,212	384
- Amortisation/(accretion) of financial assets		(2,165)	(49)
- Realised loss/(gain) of financial assets		(1,319)	3,345
- Change of ECL allowance	10	(226)	299
- Realised currency translation		(167)	-
- Unrealised currency translation		(2,965)	1,570
- Interest expense on reinsurance deposits	4	2,012	1,905
- Interest expense on lease liabilities	8	644	200
- Interest income		(13,601)	(10,024)
- Dividend income		(796)	(683)
- Increase/(decrease) in insurance contract liabilities		51,701	1,701
- (Increase)/decrease in reinsurance contract assets		(27,849)	31,733
- Increase/(decrease) in reinsurance contract liabilities		(11,612)	(12,120)
Operating cash flows before changes in working capital		21,896	29,518
(Increase)/decrease in receivables and other assets		(4,429)	(1,074)
Increase/(decrease) in payable and other liabilities		2,088	(3,346)
Interest expense paid on reinsurance deposits		(2,012)	(1,905)
Net cash flows from operating activities		17,543	23,192
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(683)	(3,282)
Purchase of financial assets		(168,827)	(195,889)
(Purchase)/sale of derivative assets	6	(394)	133
Proceeds from sales and maturity of financial assets		138,857	149,622
Interest received		12,874	10,129
Dividend received		796	683
Net cash flows used in investing activities		(17,377)	(38,604)
Cash flows from financing activities			
Principal repayment of lease liabilities		(778)	(817)
Interest expense paid on lease liabilities		(644)	(200)
Net cash flows from financing activities		(1,422)	(1,017)
Net (decrease)/increase in cash and cash equivalents		(1,256)	(16,429)
Cash and cash equivalents at the beginning of financial year		21,360	38,221
Effect of exchange rate fluctuations on cash held		605	(432)
Cash and cash equivalents at the end of financial year		20,709	21,360

The accompanying notes form an integral part of 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. Material accounting policy information

2.1 *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 material accounting policy information.

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

2. Material accounting policy information (cont'd)

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Branch has adopted all the new and amended standards which are relevant to the Branch and are effective for annual financial period beginning on 1 January 2024. The adoption of these standards did not have any material effect on the financial statements of the Branch.

		Effective for annual periods beginning on or after
Amended standards		
FRS 116	Amendments to FRS 116: Lease Liability in a Sale and Leaseback	1 January 2024
FRS 1	Amendments to FRS 1: Classification of Liabilities as Current and Non-current	1 January 2024
FRS 1	Amendments to FRS 1: Non-current Liabilities with Covenants	1 January 2024
FRS 7, FRS 107	Amendments to FRS 7 and FRS 107: Supplier Finance Arrangements	1 January 2024

2.3 *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:

		Effective for annual periods beginning on or after
New standards/interpretations		
FRS 118	Presentation and Disclosure in Financial Statements	1 January 2027
Amended standards		
FRS 21	Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025
FRS 109, FRS 107	Amendments to FRS 109 Financial Instruments and FRS 107 Financial Instruments: Disclosures: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Various	Annual Improvement to FRSs – Volume 11	1 January 2026

Except for the adoption of FRS 118, management expects that the adoption of the above standards will have no material impact on the financial statements in the period of initial application. Furthermore, amendments resulting from the annual improvements Volume 11 are not expected to have a material impact on the Branch's financial statements.

FRS 118 Presentation and Disclosure in Financial Statements replaces FRS 1 Presentation of Financial Statements and introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinues operations, whereof the first three are new.

2. Material accounting policy information (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

It also requires disclosures of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Management is currently working to identify the impact these amendments will have on the financial statements and related notes.

2.4 *Functional and foreign currency*

(a) *Functional 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.

(b) *Foreign currency transactions and translation*

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.

2.5 *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).

2. Material accounting policy information (cont'd)

2.5 Leases (cont'd)

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 2.8.

2. Material accounting policy information (cont'd)

2.5 *Leases (cont'd)*

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.

2.6 *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.

2. Material accounting policy information (cont'd)

2.6 *Property, plant and equipment (cont'd)*

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	8 years
Furniture and fittings	5 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.

2.7 *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. 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 (Note 2.8).

2.8 *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.

2. Material accounting policy information (cont'd)

2.8 *Impairment of non-financial assets (cont'd)*

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.

2.9 *Financial instruments*

(a) *Financial assets*

Initial recognition and classification

The classification and measurement of financial assets is driven by the business model under which these assets are held and by their contractual cash flow characteristics.

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. The Branch recognises regular purchases and sales of financial assets on the trade date, which is the date on which the Branch commits to purchase or sell the asset.

The combined effect of the business model and contractual terms assessment (also referred to as "solely payments on principal and interest test" (SPPI test)) determines whether the debt instruments are measured at amortised cost, fair value with changes recognised in other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

Business model assessment

The Branch primarily holds financial assets to fund insurance liabilities. Specifically, financial assets and insurance liabilities are economically linked and jointly managed with the aim of matching the duration of the assets with the expected obligation toward policyholders. Consequently, the majority of financial assets are "held to collect contractual cash flows and for sale" (HtC&S) due to regular buying and selling activities to rebalance the portfolio and meet day-to-day cash flow needs as they arise.

2. Material accounting policy information (cont'd)

2.9 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement and presentation

(i) Debt instruments measured at FVOCI

Debt instruments held under the HtC&S business model that pass the SPPI test are measured at FVOCI. Interest income is determined using the effective interest rate method and included in net investment income. The cumulative unrealised gain or losses in OCI are net of the expected loss allowance. On derecognition, cumulative gains or losses are reclassified from OCI to profit or less as net capital gains/(losses) on investments.

(ii) Financial assets at fair value through profit or loss (FVPL)

All financial assets that fail the SPPI test are measured at FVPL. Realised and unrealised gains arising from changes in the fair value of FVPL financial assets are recognised in profit or loss within net capital gains/(losses) on investments in the period in which they arise.

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.

(b) *Financial liabilities*

Initial recognition and measurement

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.

Subsequent measurement

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.

2. Material accounting policy information (cont'd)

2.9 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Derecognition

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.

(c) *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.

2.10 *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.

2.11 *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.

2. Material accounting policy information (cont'd)

2.12 *Recognition of expected credit losses*

Expected credit loss (ECL) is recognised for debt securities measured at FVOCI and receivables which reflects the difference between the contractual cash flows of the instrument and the cash flows the Branch expects to receive. ECL is recognised on the following basis:

<u>12-months ECL</u>

12-months ECL is recognised from the initial recognition of a debt instrument and reflects a portion of lifetime expected credit losses that would result from default events that are possible within 12 months after the reporting date. The Branch applies the low credit risk simplification to recognise 12-months ECL for all financial instruments that have an internal or external investment grade rating.

<u>Lifetime ECL</u>

Lifetime ECL is recognised in the event of a significant increase in credit risk since initial recognition and reflects lifetime expected credit losses over the expected life of the financial asset. The Branch applies a permitted simplification to recognise lifetime ECL on receivables from other fee services. ECL is measured using an expected loss rate provision matrix, based on historical observed default rates, depending on the past due status.

2.13 *Insurance contracts issued and reinsurance contracts held*

(a) *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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(b) *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:

- 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.

(c) *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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(d) *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

(e) *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:
    - 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
    - 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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(f) *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 unamortised 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.

(g) *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.

(h) *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 amortisation 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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(i) *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 amortisation 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.

(j) *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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(j) *Reinsurance contracts held (cont'd)*

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.

(k) 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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(k) Critical accounting estimates and judgement for non-life insurance contracts (cont'd)

The time required to learn of and settle claims is an important consideration in establishing the Branch'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.

(l) 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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(m) 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:

	2024	**2023**
1 year	2.8%	3.7%
3 years	2.7%	3.1%
5 years	2.7%	2.7%

(n) 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.

2. Material accounting policy information (cont'd)

2.13 *Insurance contracts issued and reinsurance contracts held (cont'd)*

(o) Derecognition and contract modification

The Branch derecognises 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.

2.14 *Cash and cash equivalents*

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

2. Material accounting policy information (cont'd)

2.15 *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 2.13) 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

2.16 *Employee benefits*

(a) *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.

(b) *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.

2. Material accounting policy information (cont'd)

2.16 *Employee benefits (cont'd)*

(c) *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 by the Branch as the Branch receives recharges of the expense from its Head Office. 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.

2.17 *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.

2.18 *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.

2.19 *Taxes*

(a) *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.

2. Material accounting policy information (cont'd)

2.19 *Taxes (cont'd)*

(b) *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.

The ultimate parent entity, Zurich Insurance Group Ltd (The Group) has adopted the amendments to IAS 12 Income taxes and has been applied the exception to recognised and disclose information about deferred tax asset and liabilities related to Pillar II minimum income taxes proposed by the Organisation for Economic Co-operation and Development (OECD) Framework on base Erosion and Profit Shifting (BEPS).

2. Material accounting policy information (cont'd)

2.19 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

The model rules and other documents issued by the OECD on the Pillar II of BEPS (BEPS-Pillar II) aim to ensure that large multinational groups pays a minimum amount of tax on income in each jurisdiction they operate. The minimum effective tax of 15 percent is based on a pre-defined tax basis (GloBE) income) and the so-called covered tax, using IFRS Accounting Standards as a starting point with defined adjustments to achieve uniform basis to derive the effective tax rate.

The Group has implemented the Qualified Domestic Minimum Top-up Tax (QDMTT), but not yet the Income Inclusion Rule (IIR).

Singapore Pillar Two legislation relating to the Income Inclusion Rule (IIR) through Multinational Enterprise Top-up Tax (MTT) and Domestic Top-up Tax (DTT) has been enacted and will apply to in-scope Multinational Enterprise ("MNE") Groups for financial years beginning on or after 1 January 2025.

The Branch does not expect a material exposure to Pillar Two income taxes. The Branch has also applied the exception to disclosing any information about deferred tax relating to Pillar Two income taxes.

2.20 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Branch if that person:

- (i) has control or joint control of the Branch;
- (ii) has significant influence over the Branch; or
- (iii) is a member of the key management personnel of the Branch or of the Head Office.

(b) An entity is related to a Branch if any of the following conditions applies:

- (i) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch. If the Branch is itself such a plan, the sponsoring employers are also related to the Branch;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Branch or to the Head Office.

3. Expenses

3.1 Administrative and operating expenses by functional area

Expenses by function

	2024 $'000	**2023** $'000
Insurance-related expenses:		
Administrative and other operating expenses	14,293	11,957
Underwriting and policy acquisition costs	24,167	21,227
Claims handling expenses	7,370	6,128
Investment expenses	–	–
Reinsurance-related expenses		
Recovery of claims handling expenses	(2,145)	(6,823)
Investment expenses	539	548
Fee business expenses and income	858	(1,133)
Other expenses:		
Administrative and other operating expenses	4,704	3,375
Underwriting and policy acquisition costs	2,721	4,489
As of December	52,507	39,768

3. Expenses (cont'd)

3.2 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).

Expenses by nature

	2024 $'000	**2023** $'000
Personnel and other related costs		
Salaries, bonuses and other costs	23,063	19,698
Contributions to defined contribution plans	3,565	3,158
Share-based remuneration expenses	3,091	2,885
Building, infrastructure and related costs	2,083	620
Brand and marketing expense	196	440
Commissions (net of IACF)	10,152	8,808
Premium taxes (net of IACF)	509	513
Asset and other taxes	41	48
IT expenses	1,179	922
Outsourcing and professional services	7,580	1,185
Investment expenses	539	548
Other expenses	509	943
As of December	52,507	39,768

3.3 Finance cost

	2024 $'000	**2023** $'000
Interest expense on lease liabilities	644	200

3. Expenses (cont'd)

3.4 Income tax expenses

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 December 2024 and 2023 is as follows:

	2024 $'000	**2023** $'000
Profit/(loss) before income tax	25,041	10,098
Tax calculated at a tax rate of 17% (2023: $17%)	4,257	1,717
Effects of:		
Difference in taxation basis	392	1,115
Non-deductible expenses	721	1,079
Non-taxable income	(364)	(1,616)
Tax losses utilised	(5,006)	(2,295)
Tax charge	–	–

Estimates are made in determining the provision for income taxes.

The amount of unutilised tax losses as at 31 December 2024 is estimated to be SGD22,000,000 (2023: SGD 55,000,000). Deferred tax assets arising from unutilised tax losses as at 31 December 2024 have not been recognised due to uncertainty of their recoverability against taxable profits. Subject to the agreement with the Comptroller of Income Tax, these unutilised losses are available for utilisation against future taxable profits.

4. Investments

4.1 Net investment income

	2024	**2023**
	$'000	$'000
Investment income		
Interest revenue	13,601	10,024
Other investment revenue	796	683
Net capital gain/(loss) on sale of investments measured at fair value through other comprehensive income	(1,223)	(3,316)
Change in fair value of investments measured at fair value through profit and loss	2,631	(50)
Change in fair value of derivatives measured at fair value through profit and loss	(1,212)	(384)
Impairment loss on financial assets	2	(22)
Net foreign exchange gain/(loss)	(1,207)	(5,791)
Other investment income/(expense)	(539)	(548)
Total amounts recognised in the profit or loss	12,849	597
Amounts recognised in OCI	4,057	8,536
Total investment income	16,906	9,133
Insurance finance expenses		
Unwind of discount	(9,299)	(6,739)
Changes in discount rate	(3,525)	(5,204)
Total insurance finance expenses	(12,824)	(11,942)
Represented by:		
Amounts recognised in profit or loss	(9,299)	(6,739)
Amounts recognised in OCI	(3,525)	(5,204)
Reinsurance finance (expense)/income		
Unwind of discount	7,194	5,294
Change in allowances with reinsurers	548	358
Changes in non-performance risk of reinsurer	–	3
Interest expense on reinsurance deposits	(2,012)	(1,905)
Changes in discount rate	2,816	4,353
Total reinsurance finance (expense)/income	8,546	8,103
Represented by		
Amounts recognised in profit or loss	5,730	3,750
Amount recognised in OCI	2,816	4,353
Total investment income, insurance finance expenses and reinsurance finance (expense)/income	12,628	5,294
Represented by:		
Amounts recognised in profit or loss	9,280	(2,392)
Amounts recognised in OCI	3,348	7,685

5. Insurance and reinsurance contracts

Insurance and reinsurance contracts presented within this note include (re-)insurance contracts issued and reinsurance contracts 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 contract assets and reinsurance contract liabilities. 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 tables 5.1a and 5.1b.

5.1a Overview of insurance and reinsurance contracts – current year

2024	**Insurance** $'000	**Reinsurance Held** $'000	**Net** $'000
Accident & Health, including retail travel	7,971	2,587	10,558
Marine	20,177	2,365	22,542
Credit and political risk (include surety)	27,509	(26,454)	1,055
Financial lines, including crime	75,021	(7,236)	67,785
Property (excluding global energy)	108,562	(11,326)	97,236
Global energy onshore	56,393	(7,491)	48,902
Global energy offshore	42,175	(14,740)	27,435
Engineering	86,532	(39,590)	46,942
Liability (excluding global energy)	31,336	57	31,393
Global energy casually	1,531	695	2,226
Managing general agent (MGA) fusion	13,263	(80)	13,183
Others	1,420	(654)	766
Balance as at 31 December	471,890	(101,867)	370,023

5. Insurance and reinsurance contracts (cont'd)

5.1b Overview of insurance and reinsurance contracts – prior year

2023	**Insurance** $'000	**Reinsurance Held** $'000	**Net** $'000
A&H, including retail travel	7,782	2,076	9,858
Marine	18,773	339	19,112
Credit and political risk (include surety)	40,171	(43,272)	(3,100)
Financial lines, including crime	79,380	(12,014)	67,366
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 casually	1,789	83	1,873
Managing general agent (MGA) Fusion	11,456	(437)	11,019
Others	1,581	(413)	1,167
Balance as at 31 December	416,664	(59,590)	357,074

5. Insurance and reinsurance contracts (cont'd)

5.2a Reconciliation of insurance contracts issued – current year

	Liability for remaining coverage		Liability of incurred claims		
2024	**Excluding loss component** $'000	**Loss component** $'000	**Estimate of the present value of future cash flows** $'000	**Risk adjustment** $'000	**Total** $'000
Insurance contract liabilities, as of 1 January 2024	47,671	1,966	311,571	55,456	416,664
Insurance contract assets, as of 1 January 2024	–	–	–	–	–
Net insurance contract as of 1 January 2024	47,671	1,966	311,571	55,456	416,664
Insurance revenue	(236,534)	–	–	–	(236,534)
Incurred claims and other incurred insurance service expenses	–	–	153,025	8,242	161,267
Amortisation of insurance acquisition cash flows	8,884	–	–	–	8,884
Changes that relate to past service	–	–	(47,591)	(39,886)	(87,477)
Losses and reversal of losses on onerous contracts	–	(1,783)	–	–	(1,783)
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	–
Insurance service expenses	8,884	(1,783)	105,434	(31,644)	80,891
Total gross insurance service result	(227,650)	(1,783)	105,434	(31,644)	(155,643)

5. Insurance and reinsurance contracts (cont'd)

5.2a Reconciliation of insurance contracts issued – current year (cont'd)

	Liability for remaining coverage		Liability of incurred claims		
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Total
2024	$'000	$'000	$'000	$'000	$'000
Cash in/(outflows) in the period					
Premiums received	283,980	–	–	–	283,980
Insurance acquisition cash flows	(9,187)	–	–	–	(9,187)
Claims and other insurance service expenses paid, including investment components	–	–	(79,812)	–	(79,812)
Net cash inflows/(outflows)	274,793	–	(79,812)	–	194,981
Insurance finance (income)/expense recognised in profit and loss	–	–	7,974	1,325	9,299
Insurance finance (income)/expense recognised in OCI	–	–	2,854	671	3,525
Foreign currency translation effects	1,066	–	1,633	365	3,064
Total changes not related to provision of insurance service	1,066	–	12,461	2,361	15,888
Insurance contract liabilities, as of 31 December 2024	95,880	183	349,654	26,173	471,890
Insurance contract assets, as of 31 December 2024	–	–	–	–	–
Net insurance contracts, as of 31 December 2024	95,880	183	349,654	26,173	471,890

5. Insurance and reinsurance contracts (cont'd)

5.2b Reconciliation of insurance contracts issued – prior year

	Liability for remaining coverage		Liability of incurred claims		
	Excluding loss component	**Loss component**	**Estimate of the present value of future cash flows**	**Risk adjustment**	**Total**
2023	$'000	$'000	$'000	$'000	$'000
Insurance contract liabilities, as of 1 January 2023	42,226	4,748	307,496	55,289	409,759
Insurance contract assets, as of 1 January 2023	–	–	–	–	–
Net insurance contract as of 1 January 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 acquisition 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)

5. Insurance and reinsurance contracts (cont'd)

5.2b Reconciliation of insurance contracts issued – prior year (cont'd)

	Liability for remaining coverage		Liability of incurred claims		
	Excluding loss component	**Loss component**	**Estimate of the present value of future cash flows**	**Risk adjustment**	**Total**
2023	$'000	$'000	$'000	$'000	$'000
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 profit and loss	–	–	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 31 December 2023	47,671	1,966	311,571	55,456	416,664
Insurance contract assets, as of 31 December 2023	–	–	–	–	–
Net insurance contracts, as of 31 December 2023	47,671	1,966	311,571	55,456	416,664

5. Insurance and reinsurance contracts (cont'd)

5.3a Reconciliation of reinsurance contracts held – current year

	Assets for remaining coverage		**Assets recoverable: Incurred claims**		
	Excluding loss-recovery component	**Loss-recovery component**	**Estimate of the present value of future cash flows**	**Risk adjustment**	**Total**
2024	$'000	$'000	$'000	$'000	$'000
Reinsurance contract assets, as of 1 January 2024	(8,751)	795	48,446	36,416	76,906
Reinsurance contract liabilities, as of 1 January 2024	(3,015)	23	(22,775)	8,452	(17,316)
Net reinsurance contract as of 1 January 2024	(11,766)	817	25,671	44,868	59,590
Reinsurance premiums	(151,095)	–	–	–	(151,095)
Recoveries of incurred claims and other insurance service expenses	–	–	90,886	6,161	97,047
Changes to recoveries of incurred claims that relate to past service	–	–	(45,309)	(32,393)	(77,702)
Changes that relate to onerous underlying contracts	–	(764)	–	–	(764)
Amounts recovered from reinsurance	–	(764)	45,577	(26,232)	18,581
Total reinsurance service result	(151,095)	(764)	45,577	(26,232)	(132,514)

5. Insurance and reinsurance contracts (cont'd)

5.3a Reconciliation of reinsurance contracts held – current year (cont'd)

	Assets for remaining coverage		Assets recoverable: Incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	Total
2024	$'000	$'000	$'000	$'000	$'000
Cash in/(outflows) in the period					
Reinsurance premiums paid	213,792	–	–	–	213,792
Amounts received under reinsurance contracts held, including investment components	–	–	(48,728)	–	(48,728)
Net cash inflows/(outflows)	213,792	–	(48,728)	–	165,064
Effect of changes in the risk of non-performance of reinsurers	–	–	548	–	548
Reinsurance finance income/(expense) recognised in profit and loss	–	–	4,139	1,043	5,182
Reinsurance finance income/(expense) recognised in OCI	–	–	2,258	558	2,816
Foreign currency translation effects	(77)	–	1,127	131	1,181
Other changes	–	–	–	–	–
Total changes not related to provision of insurance service	(77)	–	8,072	1,732	9,727
Reinsurance contract assets, as of 31 December 2024	47,965	53	40,992	18,561	107,571
Reinsurance contract liabilities, as of 31 December 2024	2,889	–	(10,400)	1,807	(5,704)
Net reinsurance contracts, as of 31 December 2024	50,854	53	30,592	20,368	101,867

5. Insurance and reinsurance contracts (cont'd)

5.3b Reconciliation of reinsurance contracts held – prior year

	Assets for remaining coverage		Assets recoverable: Incurred claims		
	Excluding loss-recovery component	**Loss-recovery component**	**Estimate of the present value of future cash flows**	**Risk adjustment**	**Total**
2023	$'000	$'000	$'000	$'000	$'000
Reinsurance contract assets, as of 1 January 2023	1,932	349	69,211	32,793	104,286
Reinsurance contract liabilities, as of 1 January 2023	1,409	2,167	(45,406)	12,395	(29,435)
Net reinsurance contract as of 1 January 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)

5. Insurance and reinsurance contracts (cont'd)

5.3b Reconciliation of reinsurance contracts held – prior year (cont'd)

	Assets for remaining coverage		Assets recoverable: Incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	Total
2023	$'000	$'000	$'000	$'000	$'000
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 profit and loss	–	–	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	–	–	–	–	–
Total changes not related to provision of insurance service	1,091	–	6,035	1,480	8,606
Reinsurance contract assets, as of 31 December 2023	(8,751)	795	48,446	36,416	76,906
Reinsurance contract liabilities, as of 31 December 2023	(3,015)	23	(22,775)	8,452	(17,316)
Net insurance contracts, as of 31 December 2023	(11,766)	817	25,671	44,868	59,590

5. Insurance and reinsurance contracts (cont'd)

5.4a Development of insurance losses – gross - current year

2024	**2018 and prior**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of undiscounted ultimate claims costs:								
- At end of accident year	598,700	87,610	165,207	115,519	95,310	112,973	128,641	128,641
- One year later	599,828	81,246	165,545	107,608	131,451	104,968		104,968
- Two years later	561,613	76,921	146,584	102,870	123,215			123,215
- Three years later	529,411	71,071	128,547	91,507				91,507
- Four years later	526,659	63,259	121,785					121,785
- Five years later	516,230	60,101						60,101
- Six years later	494,021							494,021
Current estimate of claims incurred	494,021	60,101	121,785	91,507	123,215	104,968	128,641	1,124,238
Cumulative payments to date	(468,595)	(44,318)	(101,795)	(59,967)	(63,562)	(19,100)	(8,497)	(765,834)
Reserves for outstanding claims, gross of reinsurance	25,426	15,783	19,990	31,540	59,653	85,868	120,144	358,404
Unallocated loss adjustment expense reserve								9,212
Effects of discounting								(17,791)
Effects of the risk adjustment for non-financial risk								26,237
Deposit held under reinsurance treaties								(235)
Total liabilities for incurred claims, gross of reinsurance								375,827

5. Insurance and reinsurance contracts (cont'd)

5.4b Development of insurance losses – gross - prior year

2023	**2017 and prior**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of undiscounted ultimate claims costs:								
- 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

5. Insurance and reinsurance contracts (cont'd)

5.5a Development of insurance losses – net - current year

2024	**2018 and prior**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of undiscounted ultimate claims costs:								
- At end of accident year	66,354	15,303	20,077	22,838	24,896	25,848	30,897	30,897
- One year later	63,569	18,882	18,885	24,872	27,581	26,217		26,217
- Two years later	62,970	19,087	16,968	25,609	29,102			29,102
- Three years later	63,007	18,372	13,076	23,633				23,633
- Four years later	60,756	16,962	12,809					12,809
- Five years later	59,997	16,180						16,180
- Six years later	59,369							59,369
Current undiscounted estimate of claims incurred	59,369	16,180	12,809	23,633	29,102	26,217	30,897	198,207
Cumulative payments to date	(57,651)	(14,669)	(9,452)	(15,358)	(14,690)	(8,260)	(3,536)	(123,616)
Reserves for outstanding claims, gross of reinsurance	1,718	1,511	3,357	8,275	14,412	17,957	27,361	74,591
Unallocated loss adjustment expense reserve								9,212
Effects of discounting								(3,632)
Effects of the risk adjustment for non-financial risk								5,808
Risk of non-performance allowance for reinsurance contract								65
Deposit held under reinsurance treaties								238,823
Total liabilities for incurred claims, net of reinsurance								324,867

5. Insurance and reinsurance contracts (cont'd)

5.5b Development of insurance losses – net - prior year

2023	**2017 and prior**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of undiscounted ultimate claims costs:								
- 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 outstanding claims, gross of reinsurance	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

5. Insurance and reinsurance contracts (cont'd)

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 tables 5.1a and 51.1b 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.

5. Insurance and reinsurance contracts (cont'd)

5.6a Sensitivity analysis – current year

2024	**Changes in assumptions** $'000	**Impact on profit before tax gross of reinsurance** $'000	**Impact on profit before tax net of reinsurance** $'000	**Impact on equity gross of reinsurance** $'000	**Impact on equity net of reinsurance** $'000
Ultimate loss ratio	+ 10%	(26,051)	(6,143)	(25,902)	(6,138)
Discount rate	+ 1%	181	44	5,501	1,148
Ultimate loss ratio	- 10%	26,051	6,143	25,902	6,138
Discount rate	- 1%	(182)	(44)	(5,736)	(1,190)

5.6b Sensitivity analysis – period year

2023	**Changes in assumptions** $'000	**Impact on profit before tax gross of reinsurance** $'000	**Impact on profit before tax net of reinsurance** $'000	**Impact on equity gross of reinsurance** $'000	**Impact on equity net of reinsurance** $'000
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)

6. Receivable and other assets

	2024 $'000	2023 $'000
Financial assets		
Other receivables		
From head office affiliates	6,449	4,734
From third parties	2,710	779
Other fee services	222	246
Amounts due from investment brokers	–	32
Accrued investment income	3,218	2,491
Derivative assets	712	466
Non-financial assets		
Prepaid expenses	3,419	2,353
Total receivables and other assets	16,730	11,102

Derivative assets are carried at fair value through profit and loss. The receivables from related corporations are unsecured, interest-free and are repayable on demand.

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.

6.1 Development of derivative financial instruments

	2024		2023	
	$'000 Derivative financial assets	$'000 Derivative financial liabilities	$'000 Derivative financial assets	$'000 Derivative financial liabilities
Beginning of the year	466	(394)	589	–
Purchase/sale of derivative assets	394	–	(133)	–
Fair value (losses)/gains recognised	(148)	(1,064)	10	(394)
End of the financial year	712	(1,458)	466	(394)

6. Receivable and other assets (cont'd)

6.2 Details of derivative financial instruments

2024	Spot rate	Forward rate	Buy currency	Buy $'000	Sell currency	Sell $'000	Mark to market $'000
SGD/AUD	0.8700	0.8672	SGD	2,619	AUD	3,020	72
SGD/EUR	1.4200	1.4204	SGD	3,508	EUR	2,470	18
USD/SGD	1.3400	1.3350	USD	22,300	SGD	29,770	611
TWD/SGD	24.2248	24.1779	TWD	84,665	SGD	3,502	11
AUD/SGD	0.8700	0.8672	AUD	3,020	SGD	2,619	(72)
EUR/SGD	1.4200	1.4204	EUR	2,470	SGD	3,508	(18)
SGD/USD	1.3400	1.3350	SGD	29,770	USD	22,300	(611)
AUD/SGD	0.8731	0.8703	AUD	3,020	SGD	2,628	(82)
EUR/SGD	1.4209	1.4212	EUR	2,470	SGD	3,510	(20)
SGD/USD	1.3380	1.3330	SGD	29,725	USD	22,300	(655)
Total							(746)

2023	Spot rate	Forward rate	Buy currency	Buy $'000	Sell currency	Sell $'000	Mark to market $'000
SGD/AUD	0.8665	0.8652	AUD	12,860	SGD	11,127	435
SGD/EUR	1.4545	1.4543	EUR	7,310	SGD	10,631	31
USD/SGD	1.3597	1.3540	USD	10,280	SGD	14,650	(394)
Total							72

6.3 Offsetting of derivative financial instruments

The net asset and liability position of the derivative are subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

7. Property, plant and equipment

	Leasehold improvements	Furniture and fittings	Computer equipment	Right of use assets	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
As at 1 January 2023	1,666	12	447	7,862	9,987
Additions	3,041	22	219	11,631	14,913
Disposal	(1,666)	(12)	(242)	(7,862)	(9,782)
As at 31 December 2023 and 1 January 2024	3,041	22	424	11,631	15,118
Additions	408	–	275	4,025	4,708
Disposal	–	–	(130)	–	(130)
As at 31 December 2024	3,449	22	569	15,656	19,696
Accumulated depreciation					
As at 1 January 2023	(1,340)	(12)	(343)	(4,024)	(5,719)
Charge for the year	(358)	(1)	(68)	(715)	(1,142)
Disposal	1,666	12	226	4,602	6,506
As at 31 December 2023 and 1 January 2024	(32)	(1)	(185)	(137)	(355)
Charge for the year	(419)	(4)	(124)	(1,436)	(1,983)
Disposal	–	–	127	–	127
As at 31 December 2024	(451)	(5)	(182)	(1,573)	(2,211)
Net book value					
As at 31 December 2023	3,009	21	240	11,494	14,764
As at 31 December 2024	2,998	17	387	14,083	17,485

8. Payables and other liabilities

	2024 $'000	2023 $'000
Other financial liabilities		
Other accrued liabilities	12,198	10,418
Other payables	259	102
Lease liabilities	14,992	11,744
Derivative liabilities	1,458	394
Other non-financial liabilities		
Non-income tax payables	1,210	1,146
Provisions	383	383
Deferred income		
From head office affiliates	28	–
From third parties	60	–
Total payables and other liabilities	30,588	24,188

Other payables are due within the next 12 months. The payables from related corporations 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.

8.1 Development of lease liabilities

	2024 $'000	2023 $'000
Development of lease liabilities		
As at 1 January	11,744	4,192
Payments	(1,422)	(1,017)
Accretion of interest	644	200
Lease modification	399	(3,263)
New lease added	3,627	11,631
Total	14,992	11,744

There is no variable lease payment in all lease arrangements. Low-value lease expense amounting to $13,000 (2023: $14,000) is not capitalised in right of use assets.

8. Payables and other liabilities (cont'd)

8.2 Lease amounts in profit and loss

	2024	2023
	$'000	$'000
Depreciation of right of use assets	1,436	715
Interest expense on lease liabilities	644	200
Low value lease expense	13	14
Total lease amounts in profit and loss	2,093	929

8.3 Cash flow for leases

	2024	2023
	$'000	$'000
Total cash outflow for leases	1,422	1,017

9. Related party transactions

A related party transaction is a transfer of resources, services or obligations between a Branch and a related party, regardless of whether a price is charged.

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

	2024	2023
	$'000	$'000
Business ceded to head office subsidiaries:		
Premium accepted included in insurance revenue	(199,308)	(176,466)
Commission expenses paid, included insurance services expenses	51,613	43,385
Gross claims (written-back)/incurred included insurance service expenses	30,184	71,677
Expenses relating to management, risk engineering and investment related services received from head office	(1,999)	(1,746)
Expenses relating to management, risk engineering services received from other related parties	(10,574)	(8,929)
Income relating to management and risk engineering services rendered to head office	574	361
Income relating to management and risk engineering services rendered to other related parties	29,411	24,277

9. Related party transactions (cont'd)

(a) Sales and purchases of services (cont'd)

Outstanding balances as at 31 December 2024 and 2023, 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:

	2024	**2023**
	$'000	$'000
Salaries and other short term employee benefits	2,379	2,551
Contributions to defined contribution plans	119	128
Share-based remuneration expenses	244	596
	2,742	3,275

(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 each year. During the vesting period, PSUs are credited with dividend equivalent units (DEUs).

PSUs allocated in 2024 will vest in 2027. The actual level of vesting ranges between 0 percent and 200 percent of the overall target shares (PSUs allocated and DEUs that accrued during the vesting period), depending on the achievement of pre-defined performance criteria. The performance criteria are the Group's business operating profit after tax return on common shareholders' equity (average Core 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, each with a 30 percent weight, as well as operational CO2 equivalent (CO2e) emissions with a 10 percent weight. The four pre-defined performance criteria are each assessed independently over a period of three consecutive financial years starting in the year of allocation. For members of the Executive Committee, half of the shares that vest are subject to a further three-year sales restriction. As of 31 December 2024, and 2023 there were 1,288 and 1,281 participants in this plan, respectively. The fair value of each allocated share at the grant date was CHF 479 and CHF 444 in 2024 and 2023 respectively.

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.

10. Financial risk management objectives and policies (cont'd)

(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:

10. Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

Foreign currency risk (cont'd)

Current balance sheet - Current period

2024	**SGD** $'000	**USD** $'000	**KRW** $'000	**TWD** $'000	**JPY** $'000	**Others** $'000	**Total** $'000
Financial and reinsurance assets							
Derivative financial assets	712	–	–	–	–	–	712
Debt securities at fair value through other comprehensive income	357,800	78,104	–	–	–	–	435,904
Equity securities at fair value through profit or loss	18,634	2,730	–	–	–	–	21,364
Reinsurance contract assets	(206,989)	131,508	26,872	41,288	8,831	106,061	107,571
Receivables and other assets excluding prepayments	11,795	804	–	–	–	–	12,599
Cash and cash equivalents	5,752	14,515	442	–	–	–	20,709
Total assets	187,704	227,661	27,314	41,288	8,831	106,061	598,859

10. Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

Foreign currency risk (cont'd)

Current balance sheet - Current period (cont'd)

2024	SGD $'000	USD $'000	KRW $'000	TWD $'000	JPY $'000	Others $'000	Total $'000
Financial and reinsurance liabilities							
Derivative financial liability	(1,458)	–	–	–	–	–	(1,458)
Insurance contract liabilities	(121,921)	(163,367)	(31,402)	(39,357)	(6,270)	(109,573)	(471,890)
Other payables and liabilities (excluding reinstatement cost and GST payable)	(12,457)	–	–	–	–	–	(12,457)
Lease liabilities	(14,992)	–	–	–	–	–	(14,992)
Reinsurance contract liabilities	10,976	(6,973)	(1,425)	(2,189)	(468)	(5,625)	(5,704)
Total liabilities	(139,852)	(170,340)	(32,827)	(41,546)	(6,738)	(115,198)	(506,501)
Currency exposure	–	57,321	(5,513)	(258)	2,093	(9,137)	–

10. Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

Foreign currency risk (cont'd)

Current balance sheet - prior period

2023	**SGD** $'000	**USD** $'000	**KRW** $'000	**TWD** $'000	**JPY** $'000	**Others** $'000	**Total** $'000
Financial and reinsurance assets							
Derivative financial assets	466	–	–	–	–	–	466
Debt securities at fair value through other comprehensive income	334,721	66,284	–	–	–	–	401,005
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
Cash and cash equivalents	7,601	13,759	–	–	–	–	21,360
Total assets	84,626	234,298	55,260	4,031	10,659	135,368	524,242

10. Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

Foreign currency risk (cont'd)

Current balance sheet – prior period (cont'd)

2023	**SGD** $'000	**USD** $'000	**KRW** $'000	**TWD** $'000	**JPY** $'000	**Others** $'000	**Total** $'000
Financial and reinsurance 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)	–

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

10. Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

	Increase/(decrease) in profit before tax	
	2024	**2023**
	$'000	$'000
USD/SGD		
Rate strengthened by 5% (2023: 5%)	2,866	1,583
Rate weakened by 5% (2023: 5%)	(2,866)	(1,583)
KRW/SGD		
Rate strengthened by 5% (2023: 5%)	(276)	(99)
Rate weakened by 5% (2023: 5%)	276	99
TWD/SGD		
Rate strengthened by 5% (2023: 5%)	(13)	14
Rate weakened by 5% (2023: 5%)	13	(14)
JPY/SGD		
Rate strengthened by 5% (2023: 5%)	105	161
Rate weakened by 5% (2023: 5%)	(105)	(161)
Others/SGD		
Rate strengthened by 5% (2023: 5%)	(457)	(683)
Rate weakened by 5% (2023: 5%)	457	683

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.

A change of 10% in the prices of underlying shares would have increased/(decreased) profit before tax as set out below:

	Increase/(decrease) in profit before tax	
	2024	**2023**
	$'000	$'000
Equity securities at fair value through profit and loss		
Increase by 10% (2023: +10%)	2,136	1,622
Decrease by 10% (2023: -10%)	(2,136)	(1,622)

10. Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

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.

A change of 100 basis points ("bps") in interest rates would have increased/ (decreased) profit before tax as set out below.

	Increase/(decrease) in profit before tax	
	2024	**2023**
	$'000	$'000
Debt securities at fair value through OCI		
Increase by 100 bps (2023: +100 bps)	(11,254)	(9,969)
Decrease by 100 bps (2023: -100 bps)	11,254	9,969

(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.

Credi 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:

10. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Credit risk – investment (cont'd)

2024	**Carrying amount** $'000	**% of total**	**12 months ECL**	**Lifetime ECL**
AAA	292,277	67	44	–
AA- up to and including AA+	36,587	8	7	–
A- up to and including A+	44,933	10	18	–
BBB up to and including BBB+	23,017	5	18	–
BBB-	6,623	2	8	–
BB+ and below	32,467	8	8	–
As at 31 December	435,904	100	103	–

2023	**Carrying amount** $'000	**% of total** %	**12 months ECL**	**Lifetime ECL**
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	–
As at 31 December	401,006	100	105	–

The table below provides a reconciliation for financial assets measured at fair value through OCI or at amortised 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 amortised cost (prior to recognition of any ECL) for debt instruments measured at amortised cost. The net carrying amount represents the balance sheet carrying amount (i.e., fair value for debt instruments measured at FVOCI and amortised cost less ECL allowance for debt instruments measured at amortised cost.

10. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Credit risk – investment (cont'd)

Investment at FVOCI and receivables and other financial assets by ECL stage – current period

2024	**Carrying amount** $'000	**12 months ECL**	**Lifetime ECL**	**Net carrying amount** $'000
Debt securities:				
Of which government bonds	290,670	(42)	–	290,628
Of which corporate securities	145,234	(61)	–	145,173
Total debt securities	435,904	(103)	–	435,801
Receivables and other financial assets[1]	13,585	–	(274)	13,311
As at 31 December	449,489	(103)	(274)	449,112

Investment at FVOCI and receivables and other financial assets by ECL stage – prior period

2023	**Carrying amount** $'000	**12 months ECL**	**Lifetime ECL**	**Net carrying amount** $'000
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]	9,248	–	(500)	8,748
As at 31 December	410,254	(105)	(500)	409,649

[1] Excludes prepayments and accrued investment income

10. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

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

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

	Debt securities		Other financial assets at amortised cost	
	12 months ECL	**Lifetime ECL**	**12 months ECL**	**Lifetime ECL**
2024				$'000
As at 1 January	(105)	–	–	(500)
Debt securities that have been derecognised during the period	32	–	–	–
Additions	(45)	–	–	–
Other changes[1]	15	–	–	226
Foreign currency translation effects	(1)	–	–	–
As at 31 December	(104)	–	–	(274)

Development of ECL allowance by type of financial asset – prior period

	Debt securities		Other financial assets at amortised cost	
	12 months ECL	**Lifetime ECL**	**12 months ECL**	**Lifetime ECL**
2023				$'000
As at 1 January	(83)	–	–	(201)
Debt securities that have been derecognised during the period	32	–	–	–
Additions	(40)	–	–	–
Other changes[1]	(13)	–	–	(299)
Foreign currency translation effects	–	–	–	–
As at 31 December	(105)	–	–	(500)

[1] Remeasurement without stage transfer/change in methodology

10. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

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 below are shown after taking into account collateral such as cash and deposits received under ceded reinsurance contracts.

Reinsurance contracts by rating of reinsurer

	2024		**2023**	
	Reinsurance recoverable			
	$'000	%	$'000	%
AAA	–	–	–	–
AA	57,960	56	17,479	29
A	36,260	36	25,616	43
BBB	7,891	8	14,947	25
BB	–	–	–	–
B and below	–	–	–	–
Unrated	(244)	–	1,548	3
Total	101,867	100	59,590	100

10. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

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.

10. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk

Analysis of financial instruments by remaining contractual maturities

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

Maturity of balance sheet items - current year

2024	**No maturity date**	**Less than one year** $'000	**1 - 2 years** $'000	**2 - 3 years** $'000	**3 - 4 years** $'000	**4 - 5 years** $'000	**More than five years** $'000	**Total** $'000
Financial and reinsurance assets								
Derivative financial assets	–	712	–	–	–	–	–	712
Debt securities at fair value through other comprehensive income	–	88,104	79,220	139,830	27,856	36,512	64,382	435,904
Equity securities at fair value through profit and loss	21,364	–	–	–	–	–	–	21,364
Reinsurance contract assets	–	21,968	28,625	21,020	15,986	9,170	10,802	107,571
Receivables and other assets excluding prepayments	–	12,599	–	–	–	–	–	12,599
Cash and cash equivalents	–	20,709	–	–	–	–	–	20,709
Total financial and reinsurance assets[1]	21,364	144,092	107,845	160,850	43,842	45,682	75,184	598,859

10. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk

Analysis of financial instruments by remaining contractual maturities (cont'd)

Maturity of balance sheet items - current year (cont'd)

2024	**No maturity date**	**Less than one year** $'000	**1 - 2 years** $'000	**2 - 3 years** $'000	**3 - 4 years** $'000	**4 - 5 years** $'000	**More than five years** $'000	**Total** $'000
Financial and reinsurance liabilities								
Derivative financial liabilities	–	1,458	–	–	–	–	–	1,458
Insurance contract liabilities	–	124,761	116,661	86,570	65,708	38,633	39,557	471,890
Reinsurance contract liabilities	–	3,983	681	444	296	180	120	5,704
Payables and other liabilities (excluding reinstatement cost and GST payable)	–	12,572	–	–	–	–	–	12,572
Lease liabilities[1]		1,951	1,953	2,260	2,338	2,338	6,982	17,822
Total financial and insurance liabilities	–	144,725	119,295	89,274	68,342	41,151	46,659	509,446
Total net financial and reinsurance/insurance assets/(liabilities)	21,364	(633)	(11,450)	71,576	(24,500)	4,531	28,525	89,413

[1] Disclosure of undiscounted cash flows. Carrying amounts are disclosed in note 8.

10. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk

Analysis of financial instruments by remaining contractual maturities (cont'd)

Maturity of balance sheet items – prior year

2023	**No maturity date**	**Less than one year** $'000	**1 – 2 years** $'000	**2 - 3 years** $'000	**3 -4 years** $'000	**4 -5 years** $'000	**More than five years** $'000	**Total** $'000
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	48,391	401,006
Equity securities at fair value through profit and loss	16,222	–	–	–	–	–	–	16,222
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]	16,222	90,581	156,962	101,645	60,592	36,353	61,889	524,243

10. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk

Analysis of financial instruments by remaining contractual maturities (cont'd)

Maturity of balance sheet items – prior year (cont'd)

2023	**No maturity date**	**Less than one year** $'000	**1 - 2 years** $'000	**2 -3 years** $'000	**3 – 4 years** $'000	**4 -5 years** $'000	**More than 5 years** $'000	**Total** $'000
Financial and reinsurance 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 reinstatement cost and GST payable)	–	10,546	–	–	–	–	–	10,546
Lease liabilities[1]	–	1,437	1,658	1,660	1,989	2,067	6,007	14,819
Total financial and insurance liabilities	–	117,438	111,110	82,249	60,126	39,468	49,347	459,738
Total net financial and reinsurance/insurance assets/(liabilities)	16,222	(26,857)	45,852	19,396	465	(3,116)	12,543	64,504

[1] Disclosure of undiscounted cash flows. Carrying amounts are disclosed in note 8.

10. Financial risk management objectives and policies (cont'd)

(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.

Investment by level

	Level 1	**Level 2**	**Level 3**	**Total**
2024	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Investment securities				
Equity securities	21,364	–	–	21,364
Debt securities	–	435,904	–	435,904
Derivative financial asset	–	712	–	712
Derivative financial liability	–	(1,458)	–	(1,458)
2023				
Recurring fair value measurement				
Investment securities				
Equity securities	16,222	–	–	16,222
Debt securities	–	401,006	–	401,006
Derivative financial asset	–	466	–	466
Derivative financial liability	–	(394)	–	(394)

There have been no transfers between Level 1 and Level 2 and Level 3 during the financial years ended 2024 and 2023.

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.

10. Financial risk management objectives and policies (cont'd)

(e) Categories of financial instruments

The following table set out the financial instruments at the end of the reporting period:

	2024 $'000	2023 $'000
Financial assets		
Cash and cash equivalents	20,709	21,360
Receivables and other assets	12,599	8,282
Total financial assets at amortised cost	33,308	29,642
Financial liabilities		
Payables and other liabilities at amortised cost	12,457	10,520
Lease liabilities	14,992	11,744

11. Debt and equity securities

	2024 $'000	2023 $'000
Debt securities at fair value through other comprehensive income		
Government debt securities	290,671	264,231
Qualifying debt securities	125,858	14,132
Other debt securities	19,375	122,643
As of December	435,904	401,006
Equity securities at fair value through profit and loss		
Listed collective investment schemes	21,364	16,222

12. 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 225% (2023: 190%) 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.

13. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2024 were authorised for issue by the Chief Executive Officer on 25 April 2025.