CIGNA EUROPE INSURANCE CO. S.A.-N.V. - SINGAPORE BRANCH

(Incorporated in Belgium. Registration Number: T10FC0145E)

ANNUAL REPORT

For the year ended 31 December 2019

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH
(Incorporated in Belgium. Registration Number: T10FC0145E)

ANNUAL REPORT
For the year ended 31 December 2019

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- SINGAPORE BRANCH

STATEMENT BY CHIEF EXECUTIVE
For the year ended 31 December 2019

I, April Chang, the Chief Executive primarily responsible for the financial management of Cigna Europe Insurance Co. S.A.- N.V. - Singapore Branch, state that, in my opinion, the accompanying statement of assets used in and liabilities arising out of operations in Singapore, statement of comprehensive income, statement of changes in head office account and statement of cash flows arising out of the Branch's operations in Singapore, together with the notes therein are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Branch's operations in Singapore as at 31 December 2019, and of the financial performance, changes in head office account and cash flows of the Branch's operations in Singapore for the year ended 31 December 2019.

APRIL CHANG
CHIEF EXECUTIVE

Singapore, 28 April 2020

INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V.
For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of the Singapore Operations of Cigna Europe Insurance Co. S.A.-N.V. - Singapore Branch (the "Branch") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("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 2019, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the year ended on that date.

What we have audited

The Branch is a segment of Cigna Europe Insurance Co. S.A.-N.V. and is not a separately incorporated legal entity. The accompanying financial statements, which we have audited pursuant to section 373 of the Act, have been prepared from the records of the Branch and reflect only transactions recorded therein and comprise:
- the statement of comprehensive income arising out of operations in Singapore for the year ended 31 December 2019;
- the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2019;
- the statement of changes in head office account for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Other Information

The Branch's management is responsible for the other information. The other information comprises the Statement by the Chief Executive 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.

Other Information (continued)

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 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 management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of Cigna Europe Insurance Co. S.A.-N.V. 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 Branch's management.

INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V.
For the financial year ended 31 December 2019 (continued)

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

- Conclude on the appropriateness of 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.
- 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 28 April 2020

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF COMPREHENSIVE INCOME
ARISING OUT OF OPERATIONS IN SINGAPORE
For the year ended 31 December 2019

	Notes	**2019** **$'000**	2018 $'000
Gross premiums written	15(b)(ii)	**186,015**	133,570
Outward reinsurance premiums	15(b)(ii)	**(93,148)**	(67,556)
Net premiums written		**92,867**	66,014
Increase in net unearned premium reserves		**(12,418)**	(7,355)
Net earned premiums	15(b)(ii)	**80,449**	58,659
Gross claims paid	15(b)(i)	**(112,655)**	(92,061)
Reinsurer's share	15(b)(i)	**56,286**	45,989
Net claims paid		**(56,369)**	(46,072)
Increase in gross outstanding claims provision		**(7,846)**	(732)
Reinsurer's share		**3,922**	360
Increase in net outstanding claims reserves	15(b)(i)	**(3,924)**	(372)
Net claims incurred		**(60,293)**	(46,444)
Commission income		**19,233**	16,822
Commission expense		**(18,713)**	(11,676)
Net commission income		**520**	5,146
(Increase)/decrease in net deferred acquisition costs	15(b)(iii)	**3,142**	(267)
Net commission earned		**3,662**	4,879
Investment gain - net	4	**2,737**	1,069
Other miscellaneous gains	5	**1,701**	4,201
Employee compensation	6	**(6,370)**	(7,301)
Other operating expenses	7	**(22,454)**	(16,259)
Loss before income tax		**(568)**	(1,196)
Income tax expense	8	**-**	(8)
Net loss after income tax		**(568)**	(1,204)
Other comprehensive income		**-**	-
Total comprehensive loss		**(568)**	(1,204)

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V. - SINGAPORE BRANCH

STATEMENT OF ASSETS USED IN AND LIABILITIES ARISING OUT OF OPERATIONS IN SINGAPORE

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**29,269**	21,391
Financial assets, at fair value through profit or loss	10	**86,361**	58,051
Insurance receivables	11	**46,979**	39,963
Due from related companies	17	**680**	-
Other current assets	12	**1,580**	2,221
Unearned premiums on reinsurance ceded	15(a)	**41,215**	23,590
Deferred acquisition cost on unearned premium reserve	15(a)	**4,667**	3,304
Outstanding claims on reinsurance ceded	15(a)	**12,736**	8,814
		223,487	157,334
Non-current assets			
Property, plant and equipment	13	**267**	355
Right-of-use assets	14	**818**	-
		1,085	355
Total assets		**224,572**	157,689
LIABILITIES			
Current liabilities			
Insurance payables	16	**43,381**	31,171
Due to related companies	17	**6,889**	5,946
Other creditors and accruals	18	**8,221**	2,890
Unearned premium reserves	15(a)	**77,032**	46,989
Unearned ceding commission	15(a)	**3,918**	5,697
Outstanding claims reserves	15(a)	**25,727**	17,881
Lease liabilities		**444**	-
		165,612	110,574
Non-current liabilities			
Lease liabilities		**413**	-
		413	-
Total liabilities		**166,025**	110,574
NET ASSETS		**58,547**	47,115
HEAD OFFICE ACCOUNT			
Head office contributions		**60,500**	48,500
Accumulated losses		**(1,953)**	(1,385)
		58,547	47,115

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
For the year ended 31 December 2019

	Note	Head office contributions $'000	(Accumulated losses)/ retained profits $'000	Total $'000
Balance at 1 January 2019		48,500	(1,385)	47,115
Transfer from Head Office	19	12,000	-	12,000
Total comprehensive loss		-	(568)	(568)
Balance at 31 December 2019		**60,500**	**(1,953)**	**58,547**
Balance at 1 January 2018		32,500	(181)	32,319
Transfer from Head Office	19	16,000	-	16,000
Total comprehensive loss		-	(1,204)	(1,204)
Balance at 31 December 2018		**48,500**	**(1,385)**	**47,115**

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	**2019**	2018
		$'000	$'000
Cash flows from operating activities			
Loss before income tax		**(568)**	(1,196)
Adjustments for:			
Depreciation of property, plant and equipment	13	**88**	49
Depreciation of right-of-use assets	14	**414**	-
Interest expense	14	**36**	-
Fair value gains	4	**(905)**	(138)
Interest income	4	**(2,025)**	(1,111)
Operating cash flows before working capital changes		**(2,960)**	(2,396)
Changes in working capital			
- Outstanding claims reserves - net	15(b)(i)	**3,924**	372
- Reinsurance recoverable on paid claims		**-**	71
- Unearned premium reserves - net		**12,418**	7,355
- DAC on unearned premium reserves - net		**(3,142)**	267
- Insurance receivables		**(7,016)**	(9,662)
- Insurance payables		**12,210**	6,059
- Other current assets		**641**	(1,006)
- Due from related companies		**(680)**	-
- Due to related companies		**943**	3,675
- Other creditors and accruals		**5,339**	1,094
Cash generated from operating activities		**21,677**	5,829
Interest received		**2,025**	1,191
Tax paid		**(8)**	-
Net cash generated from operating activities		**23,694**	7,020
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**-**	(256)
Purchase of financial assets, at fair value through profit or loss		**(34,495)**	(17,534)
Disposal of financial assets, at fair value through profit or loss		**7,090**	2,837
Net cash used in investing activities		**(27,405)**	(14,953)
Cash from financing activities			
Capital funding received from Head office	19	**12,000**	16,000
Principal repayment of lease liabilities		**(375)**	-
Interest paid	14	**(36)**	-
Net cash generated from financing activities		**11,589**	16,000
Net increase in cash and cash equivalents		**7,878**	8,067
Cash and cash equivalents at beginning of year		**21,391**	13,324
Cash and cash equivalents at end of year	9	**29,269**	21,391

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

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

1. General information

The Branch is registered and domiciled in Singapore. The address of the Branch's registered office is 152 Beach Road, # 33-05 The Gateway East, Singapore 189721.

The Singapore branch is a segment of Cigna Europe Insurance Co. S.A.-N.V., incorporated in Belgium, and is not a separately incorporated legal entity. The financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

The principal activities of the Branch are to undertake the business of healthcare insurance.

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards in 2019

On 1 January 2019, the Branch adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Branch's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Branch's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of FRS 116 Leases.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards in 2019 (continued)

(a) Adoption of FRS 116 *Leases*

When the Branch is the lessee

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Branch's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.6.

On initial application of FRS 116, the Branch has elected to apply the following practical expedients:

(i) for all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 *Leases* and INT FRS 104 *Determining whether an Arrangement contains* a *Lease*, the Branch has not reassessed if such contracts contain leases under FRS 116; and

(ii) on a lease-by-lease basis, the Branch has:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
(c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
(d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Branch has applied the following transition provisions:

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

(a) Adoption of FRS 116 *Leases* (continued)

When the Branch is the lessee (continued)

(i) On a lease-by-lease basis, the Branch chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

The effects of adoption of FRS 116 on the Branch's financial statements as at 1 January 2019 are as follows:

	Increase S$'000
Right-of-use assets	781
Lease liabilities	781

An explanation of the differences between the operating lease commitments previously disclosed in the Branch's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	S$'000
Operating lease commitments disclosed as at 31 December 2018	1,260
Less: Lease not effective as at 31 December 2018	(476)
Less: Discounting effects using weighted average incremental borrowing rate of 3.62% - 3.96%	(3)
Lease liabilities recognised as at 1 January 2019	781

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

(b) Temporary exemption on adoption of FRS 109 *Financial Instruments*

FRS 109 addresses the classification, measurement and recognition of financial assets and financial liabilities. FRS 109 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes recognised either in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit loss model will replace the incurred loss impairment model in FRS 39 *Financial Instruments*.

For financial liabilities, the standard retains most of the FRS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to align more closely with the entity's risk management strategies.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2019), but the Branch qualifies for a temporary exemption as explained in Note 2.1(c).

Additional disclosures required by FRS 109 are made in Note 24.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

(c) Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts* (Amendments to FRS 104)

As noted in 2.1(b), these amendments provide a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of FRS 109 until the earlier of the effective date of FRS 117 *Insurance Contracts* and financial reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before FRS 117 is applied. Based on the amendments to FRS 104, the Branch is eligible for and will elect to apply the temporary option to defer the effective date of FRS 109 in order to implement the changes in parallel with FRS 117.

(d) Deferral for FRS117 *Insurance Contracts*

ASC adopted IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments without modification into FRS 117 and FRS 109. FRS 117 Insurance Contracts will replace the current FRS 104 insurance contract standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. However, IASB proposed in June 2019 to defer IFRS 17 and extend the temporary IFRS 9 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral was published in the Exposure Draft amendments to IFRS 17 for public consultation which ended on 25 September 2019. This was consequently approved on 18 March 2020 where the effective date has now been deferred to periods beginning on or after 1 January 2023. ASC has not made any announcements related to IASB's proposed deferral for FRS 117.

2. Significant accounting policies (continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Branch's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

Premium income

Premiums on insurance contracts (see Note 2.8) are recognised as revenue at the time of inception of the policy.

Premiums are shown before movements in unearned premium reserves (see Note 2.10(a)) and deduction of commission; and are net of any taxes or duties levied on premiums.

Interest Income

Interest income is recognised using the effective interest method.

2.3 Property, plant and equipment

(a) *Measurement*

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (see Note 2.4).

The cost of property, plant and equipment includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using a straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Computers	- 3 years
Office renovation	- 3 years
Office equipment	- 3 years

2. Significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

(b) Depreciation (continued)

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.4 Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

2. Significant accounting policies (continued)

2.4 Impairment of non-financial assets (continued)

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

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

2.5 Financial assets

(a) Classification

The Branch classifies its financial assets into loans and receivables and fair value through profit or loss financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables consist of cash and cash equivalents and insurance and other receivables.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with the Branch's investment strategy. These assets are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Management has designated all its financial assets as fair value through profit or loss at inception. The designation of financial assets as fair value through profit or loss at inception is irrevocable.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(b) Recognition and derecognition

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

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when changes arise.

(e) Impairment

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

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(e) *Impairment* (continued)

Loans and receivables (continued)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent impairment had been recognised in prior periods.

2.6 Leases

The accounting policy for leases before 1 January 2019 are as follows:

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

The accounting policy for leases after 1 January 2019 are as follows:

When the Branch is the lessee

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

2. Significant accounting policies (continued)

2.6 Leases (continued)

The accounting policy for leases after 1 January 2019 are as follows:

When the Branch is the lessee

- Right-of-use assets

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

  The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

- Lease liabilities

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

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

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

- Short-term and low-value leases

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

2. Significant accounting policies (continued)

2.7 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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

2.8 Insurance contracts

The Branch participates in contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risks. As a general guideline, the Branch defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significant when compared to the premiums collected for such contracts.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium reserves. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date inclusive of provisions for incurred but not reported claims. The Branch does not discount its liabilities for unpaid claims.

2. Significant accounting policies (continued)

2.9 Reinsurance contracts held

Reinsurance premiums ceded are in respect of the purchase of reinsurance protection of the Branch's healthcare book of business.

The benefits to which the Branch is entitled under its reinsurance contracts held are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance 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.

The Branch assesses its reinsurance assets for impairment when there is objective evidence that the Branch will not be able to collect all amounts due in accordance with the original terms of the contract. The amount of the allowance is recognised in profit or loss.

An unearned premium reserve on reinsurance ceded is made for the amount of premium ceded not yet incurred at the balance sheet date.

2.10 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves. Both the reserves for outstanding claims and reserves for unearned premium are on an undiscounted basis due to the short-tail nature of the liability.

(a) Unearned premium reserves

An unearned premium reserve is made for the amount of net premium not yet earned at the balance sheet date. For this purpose, net premium refers to premium income written during the year less acquisition costs (Note 2.11). The unearned premium is calculated on a time apportioned basis and relates to the unexpired period of the contracts written.

Where necessary, premium deficiency reserves calculated using actuarial methods on loss statistics are included in unearned premium reserves.

2. Significant accounting policies (continued)

2.10 Insurance liabilities (continued)

(b) Outstanding claims reserves

The reserve for losses and loss expenses includes reserves for unpaid reported losses and for the losses incurred but not reported (“IBNR”). The reserve for unpaid reported losses and loss expenses is established by management based on counts of mail in hand and pended claims, and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Branch.

The reserve for incurred but not reported losses and loss expenses is established by management based on actuarial determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in profit or loss in the period in which they become known.

2.11 Deferred acquisition costs (“DAC”)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

2.12 Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of contractual liabilities net of related DAC. In performing the test, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to profit or loss.

2.13 Provisions for other liabilities and charges

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

2. Significant accounting policies (continued)

2.14 Employee compensation

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Branch pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Branch has no further payment obligations once the contributions have been paid. The Branch's contributions to defined contribution plans are recognised as employee compensation expense in profit or loss when they are due.

(b) *Employee leave entitlement*

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

2.15 Currency translation

These financial statements are presented in Singapore Dollars ("SGD" or "$"), which is the Branch's functional currency.

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

2.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits with financial institutions which are subject to an insignificant change in value.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The Branch makes estimates and assumptions concerning the future. These estimates are based on management's best knowledge of current events and actions. The actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Branch's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Branch will ultimately pay for such claims. Estimation of the ultimate liability arising from claims is done using actuarial techniques.

Actuarial methodology

The reserves are split into true IBNR (for claims incurred but not yet received), outstanding loss reserves (for claims that have been received in the office but not yet paid) and a claim handling expense/loss adjustment expenses reserve. The true IBNR uses the Bornhuetter-Ferguson approach based on claims triangles and specific loss ratio picks and the outstanding loss reserves use counts of claims forms and data management reports on pended claim forms. The claim handling reserve is a proportion of the IBNR and OSLR amounts. In 2019, the loss ratio assumption used was 73.7% (2018: 76%), with 3.5% (2018: 3.5%) loading for claim payment expenses. A provision for adverse deviation at minimum 75% (2018:75%) sufficiency is then added to the Best Estimate Claim Liabilities.

Changes in assumptions

There have been no significant amendments made to the assumptions used to estimate the Ultimate Claims Costs.

4. Investment gain - net

	2019	2018
	$'000	$'000
Interest income	**2,025**	1,111
Fair value gains	**905**	138
Investment expenses	**(193)**	(180)
	2,737	1,069

5. Other miscellaneous gains

	2019	2018
	$'000	$'000
Foreign exchange gains - net	**1,093**	2,243
Service fee income	**607**	1,944
Others	**1**	14
	1,701	4,201

6. Employee compensation

	2019	2018
	$'000	$'000
Wages, salaries and staff benefits	**5,855**	6,825
Employer's contribution to defined contribution plans including Central Provident Fund	**515**	476
Net employee compensation	**6,370**	7,301

7. Other operating expenses

	2019	2018
	$'000	$'000
Rental expense - operating leases	**-**	258
Allocated head office expenses	**12,174**	11,459
Accounting and legal fees	**901**	1,073
Printing, postage and telecommunications	**301**	340
Office utilities and office costs	**337**	83
Computer costs	**166**	86
Travelling and entertainment expenses	**357**	501
Association and license fees	**385**	216
Bank charges	**648**	545
Advertising	**455**	350
Depreciation	**88**	49
Network provider fees	**-**	266
(Reversal of impairment)/impairment of receivables	**(433)**	38
Depreciation of rights-of-use assets	**414**	-
Interest on lease liabilities	**36**	-
Project costs	**3,983**	-
Other expenses	**2,642**	995
	22,454	16,259

8. Income tax expense

	2019 **$'000**	2018 $'000
Tax expense attributable to profit is made up of:		
- Current income tax - current year	**-**	8
- Deferred income tax - current year	**-**	-
	-	8

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

	2019 **$'000**	2018 $'000
Loss before tax	**(568)**	(1,196)
Tax calculated at tax rate of 17% (2018: 17%)	**(97)**	(203)
Effects of:		
Expenses not deductible for tax purposes	**20**	-
Income subject to concessionary tax rate of 10%	**(179)**	(68)
Tax losses not recognised	**256**	271
Under provision of tax in prior financial years	**-**	8
	-	8

The Branch has tax losses of approximately $4,676,773 (2018: $3,168,496) which can be carried forward and used to offset against future tax profits subject to there being no substantial changes in shareholders in accordance with the provisions of the Income Tax Act and subject to the approval by the Comptroller of Income Tax. Deferred tax assets have not been recognised for these tax losses as the realisation of the related tax benefits through future taxable profits is not probable.

9. Cash and cash equivalents

	2019 **$'000**	2018 $'000
Cash at bank and on hand	**29,269**	21,391

The carrying amounts of cash and cash equivalents approximate their fair values.

10. Financial assets, at fair value through profit or loss

Financial assets, at fair value through profit or loss, include the following:

	2019	2018
	$'000	$'000
At fair value		
Fixed income securities, quoted	**86,361**	58,051

11. Insurance receivables

	2019	2018
	$'000	$'000
Insurance receivables (third parties)	**47,649**	41,066
Less: Allowance for impairment of receivables	**(670)**	(1,103)
Insurance receivables - net	**46,979**	39,963

The carrying amounts of insurance receivables approximate their fair values.

12. Other current assets

	2019	2018
	$'000	$'000
Other receivables	**640**	1,448
Prepaid operating expenses	**836**	656
Deposits	**104**	117
	1,580	2,221

The carrying amounts of other current assets (except prepaid operating expenses) approximate their fair values.

13. Property, plant and equipment

	Computers $'000	Office renovation $'000	Office equipment $'000	Total $'000
2019				
Cost				
As at 1 January 2019/ 31 December 2019	254	419	2	675
Accumulated depreciation				
As at 1 January 2019	106	212	2	320
Depreciation charge	63	25	-	88
As at 31 December 2019	169	237	2	408
Net book value				
As at 31 December 2019	**85**	**182**	**-**	**267**
2018				
Cost				
As at 1 January 2018	175	242	2	419
Additions	79	177	-	256
As at 31 December 2018	254	419	2	675
Accumulated depreciation				
As at 1 January 2018	66	203	2	271
Depreciation charge	40	9	-	49
As at 31 December 2018	106	212	2	320
Net book value				
As at 31 December 2018	**148**	**207**	**-**	**355**

14. Leases - The Company as a leasee

Leasehold property

The Company leases office space for the purpose of business operations.

Equipment and vehicles

The Company leases office equipment (ie. Photocopier machines) for business purposes.

14. Leases - The Company as a leasee (continued)

(a) *Carrying amounts - Right-of-use assets*

	31 December 2019 $'000	1 January 2019 $'000
Leasehold property	**801**	771
Office equipment	**17**	10
	818	781

(b) *Depreciation charge during the year*

	2019 $'000
Leasehold property	**408**
Office equipment	**6**
Total	**414**

(c) *Interest expense*

	2019 $'000
Interest expense on lease liabilities	**36**

(d) Total cash outflow for all leases in 2019 was $410,894.

(e) Addition of ROU assets during the financial year 2019 was $451,870.

15. Insurance liabilities and reinsurance assets

(a) Insurance liabilities and reinsurance assets comprise of the following:

	2019 **$'000**	2018 $'000
Gross		
Insurance contracts:		
Gross outstanding claims reserves	**25,727**	17,881
Gross unearned premium reserves	**77,032**	46,989
DAC on unearned premium reserve	**(4,667)**	(3,304)
Total insurance liabilities - gross	**98,092**	61,566
Recoverable from reinsurers		
Reinsurer's share of outstanding claims reserves	**12,736**	8,814
Reinsurer's share of unearned premium reserves	**41,215**	23,590
Reinsurer's share of DAC	**(3,918)**	(5,697)
	50,033	26,707
Net		
Insurance contracts:		
Net outstanding claims reserves	**12,991**	9,067
Net unearned premium reserves	**35,817**	23,399
DAC on unearned premium reserve	**(749)**	2,393
Total insurance liabilities - net	**48,059**	34,859

(b) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims reserves

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2019	17,881	(8,814)	9,067
Claims incurred during the year	120,501	(60,208)	60,293
Claims paid during the year	(112,655)	56,286	(56,369)
Balance at 31 December 2019	25,727	(12,736)	12,991
Balance at 1 January 2018	17,149	(8,454)	8,695
Claims incurred during the year	92,793	(46,349)	46,444
Claims paid during the year	(92,061)	45,989	(46,072)
Balance at 31 December 2018	17,881	(8,814)	9,067

15. **Insurance liabilities and reinsurance assets** (continued)

(b) *Movements in insurance liabilities and reinsurance assets* (continued)

(i) *Outstanding claims reserves* (continued)

The table below shows the development of claims over a period of time on a net of reinsurance basis. It shows the cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at each balance sheet date, together with cumulative claims as at the current balance sheet date.

Claims development is shown for the last five accident years, with the liability held as at the current balance sheet date for accident years 2013 and before being shown as a separate item.

Accident Year	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
End of accident year	18,274	24,695	36,136	47,456	60,708	
1 year later	17,065	23,694	34,962	47,111		
2 years later	17,063	23,822	34,874			
3 years later	17,093	23,781				
4 years later	17,154					
Cumulative claims incurred	17,154	23,781	34,874	47,111	60,708	183,628
Cumulative payments to date	(17,152)	(23,758)	(34,807)	(46,808)	(48,112)	(170,637)
Liability recognised in the balance sheet	2	23	67	303	12,596	12,991
Outstanding liability pertaining to accident year 2013 and before						-
						12,991

(ii) *Unearned premium reserves*

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2019	46,989	(23,590)	23,399
Written premium during the year	186,015	(93,148)	92,867
Earned premium during the year	(155,972)	75,523	(80,449)
Balance at 31 December 2019	77,032	(41,215)	35,817
Balance at 1 January 2018	32,281	(16,237)	16,044
Written premium during the year	133,570	(67,556)	66,014
Earned premium during the year	(118,862)	60,203	(58,659)
Balance at 31 December 2018	46,989	(23,590)	23,399

15. Insurance liabilities and reinsurance assets (continued)

(b) *Movements in insurance liabilities and reinsurance assets* (continued)

(iii) *Deferred acquisition costs*

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2019	(3,304)	5,697	2,393
Net transfer from statement of comprehensive income	(1,363)	(1,779)	(3,142)
Balance at 31 December 2019	(4,667)	3,918	(749)
Balance at 1 January 2018	(2,405)	4,531	2,126
Net transfer from statement of comprehensive income	(899)	1,166	267
Balance at 31 December 2018	(3,304)	5,697	2,393

(c) *Insurance risk*

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

The principal risk that the Branch faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

The Branch has developed an appropriate reinsurance management strategy to ensure the Branch has sufficient capacity to meet claims obligations as they fall due. The reinsurance arrangements include quota share as well as excess of loss coverage. The effect of such reinsurance management is that the Branch is protected from significant catastrophic events.

(i) *Concentration risk*

The following tables disclose the concentration of gross and net written premiums in relation to the type of insurance risk accepted by the Branch.

	2019 $'000	2018 $'000
Lines of business - Healthcare		
- Gross written premium	**186,015**	133,570

15. Insurance liabilities and reinsurance assets (continued)

(c) Insurance risk (continued)

(i) Concentration risk (continued)

	2019 $'000	2018 $'000
Lines of business - Healthcare		
- Net written premium	**92,867**	66,014

(ii) Sensitivity analysis

The table below presents the sensitivity of the value of gross and net outstanding claims reserves to movement in the assumptions used in the estimation of the gross and net outstanding claims reserves.

	Change in assumptions %	Impact on gross outstanding claims reserve $'000	Impact on net outstanding claims reserves $'000	Impact on profit before income tax $'000	Impact on head office account $'000
2019					
- Projected ultimate loss ratio	+5	1,241	627	(627)	(627)
- Claims handling experience	+5	1,242	628	(628)	(628)
- Projected ultimate loss ratio	-5	(1,241)	(627)	627	627
- Claims handling experience	-5	(858)	(434)	434	434
2018					
- Projected ultimate loss ratio	+5	1,010	512	(512)	(512)
- Claims handling experience	+3	519	263	(263)	(263)
- Projected ultimate loss ratio	-5	(1,010)	(512)	512	512
- Claims handling experience	-3	(488)	(248)	248	248

16. Insurance payables

	2019 $'000	2018 $'000
Insurance payables:		
- Related party - Cigna Global Reinsurance Co.	**42,941**	23,393
- Third parties	**440**	7,778
	43,381	31,171

The carrying amounts of insurance payables approximate their fair values.

17. Due from/to related companies

	2019	2018
	$'000	$'000
Due from related companies (non-trade)	**680**	-
Due to ultimate holding corporation (non-trade)	**434**	-
Due to related companies (non-trade)	**6,455**	5,946
	6,889	5,946

The carrying amount of amount due from/to related companies are unsecured, interest free, repayable on demand and approximate their fair values.

18. Other creditors and accruals

	2019	2018
	$'000	$'000
Accrued operating expenses	**4,857**	2,278
Corporate tax payable	**-**	9
GST payable	**2,006**	603
Other payables	**1,358**	-
	8,221	2,890

Other creditors approximate their fair values.

19. Head office contributions

A total of $12,000,000 (2018: 16,000,000) was transferred to the Branch from its Head Office during the financial year in order to meet the daily operating requirements of the Branch.

20. Operating lease commitments

The Branch leases land, office space, retail stores, motor vehicles and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

20. Operating lease commitments (continued)

As at 31 December 2018, the future minimum lease payables under noncancellable operating leases contracted for but not recognised as liabilities, are as follows:

	2018 $'000
Not later than one year	418
Later than one year but not later than five years	842
	1,260

As disclosed in Note 2.1, the Branch has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

21. Financial risk management

(a) *Financial risk factors*

The Branch's activities expose it to a variety of financial risks: market risks (including currency risk and interest risk), credit risk and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Branch. The Branch does not undertake any speculative treasury activities.

Risk management is carried out under policies approved by the Board of Directors of the Company (the "Board") which governs the Branch.

(i) *Currency risk*

The Branch foreign currency exposures arise mainly from the exchange rate movements of the United States dollar ("USD") to the Singapore dollar.

The Branch is exposed to some foreign exchange risk due to the fact that premiums are generally paid in US Dollars however the functional currency of the Branch is Singapore Dollars. The risks arising from operational activities are generally short term in nature, and the Branch's policy is to manage this through matching of cash flows in the relevant currencies. Gains and losses on these activities are fully reflected in the profit and loss statement for the period in which they arise.

21. Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Currency risk (continued)

The Branch's exposure to foreign currency risk by major currencies are summarised as follows:

	CHF **$'000**	EUR **$'000**	GBP **$'000**	USD **$'000**
2019				
Financial assets				
Cash and cash equivalents	65	1,191	1,726	17,049
Insurance receivables	-	216	261	31,847
	65	1,407	1,987	48,896
Financial liabilities				
Insurance payables	-	(403)	(509)	(10,408)
Net financial assets currency exposure	**65**	**1,004**	**1,478**	**38,488**
2018				
Financial assets				
Cash and cash equivalents	66	986	1,199	9,280
Insurance receivables	-	231	262	11,617
	66	1,217	1,461	20,897
Financial liabilities				
Insurance payables	-	(147)	(59)	(4,863)
Net financial assets currency exposure	66	1,070	1,402	16,034

At 31 December 2019, if the USD, GBP, EUR and CHF had strengthened/ weakened by 5% (2018: 5%) against the SGD with all other variables including tax rate being held constant, the Branch's profit after tax for the financial year would have been $1,924,400 (2018: $801,700), $73,900 (2018: $70,100), $50,200 (2018: $53,500) and $3,250 (2018: $3,300) higher/lower as a result of currency translation gains/losses on the USD, GBP, EUR and CHF-denominated financial instruments respectively.

21. Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

The Branch has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Branch manages the level of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate exposures is material in relation to the Branch's total exposures. The Branch's portfolio of financial assets is diversified along geographic, industry and product sectors. The Branch's investments in debt securities include counterparties having appropriate rating (minimum of investment grade) by Standard and Poor's ("S&P") rating or equivalent when not available from S&P. The cash deposits are also placed by the Branch with financial institutions having appropriate credit rating (minimum of investment grade) by S&P rating or equivalent when not available from S&P.

The Branch's premium debtors are mainly unrated. In order to manage the credit risk, the Branch has in place credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the aging analysis of balances overdue which are submitted for management review and discussion in the monthly management meeting.

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired mainly comprise of:

- Deposits with financial institutions with appropriate credit rating by international credit rating agencies;
- Debt securities issued by the Government of Singapore, state-owned corporations and corporations with appropriate credit rating by international credit rating agencies; and
- Premium receivables from agents and brokers with good collection track records with the Branch.

21. Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Financial assets that are past due and/or impaired

The following table summarises the carrying value of the Branch's trade receivables and ageing of those that are past due but partially impaired.

	Not due/ up to 3 months $'000	3 to 6 months $'000	6 to 12 months $'000	More than 12 months $'000	Total $'000
As at 31 December 2019					
Insurance receivables	41,065	3,496	2,093	325	46,979
As at 31 December 2018					
Insurance receivables	11,270	9,350	17,800	1,543	39,963

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2019 $'000	2018 $'000
Gross amount	**47,649**	41,066
Less: Allowance for impairment	**(670)**	(1,103)
	46,979	39,963

Allowance for impairment of receivables

	2019 $'000	2018 $'000
Beginning of financial year	**1,103**	1,049
(Reversal of impairment)/impairment of receivables	**(433)**	54
End of financial year	**670**	1,103

21. Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Branch manages its liquidity risk by maintaining sufficient cash and bank balances. The Branch also ensures that its assets are invested in varying maturities, which enables it to ensure appropriate matching with insurance liabilities.

The table below summarises the estimated maturity profile of the Branch's financial liabilities in respect of short-term insurance contracts based on expected undiscounted cash flows.

	12 months **$'000**	Total $'000
As at 31 December 2019		
Outstanding claims reserves (Note 15(a))	25,727	25,727
Insurance payables (Note 16)	43,381	43,381
Due to related companies (Note 17)	6,209	6,209
Other creditors (Note 18)	3,364	3,364
Total	78,681	78,681
As at 31 December 2018		
Outstanding claims reserves (Note 15(a))	17,881	17,881
Insurance payables (Note 16)	31,171	31,171
Due to related companies (Note 17)	5,946	5,946
Other creditors (Note 18)	612	612
Total	55,610	55,610

(iv) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Branch manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

21. Financial risk management (continued)

(a) Financial risk factors (continued)

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

The income and operating cash flows are substantially independent of the changes in market interest rates as the Branch's investment policy is to only invest in fixed income securities.

An increase/decrease of 50 basis points (2018: 50 basis points) in the interest yield of investments in bonds classified as fair value through profit or loss, with all other variables including tax rate being held constant, would decrease/increase the market value of the investment and profit after tax by $1,540,000 (2018: $871,000).

(v) Financial instruments by category

	2019 $'000	2018 $'000
Financial assets, at fair value through profit or loss (Note 10)	**86,361**	58,051
Loans and receivables		
Cash and cash equivalents (Note 9)	**29,269**	21,391
Insurance receivables (Note 11)	**46,979**	39,963
Other receivables and deposits (Note 12)	**744**	1,565
Outstanding claims on reinsurance ceded (Note 15(a))	**12,736**	8,814
	89,728	71,733
Total financial assets	**176,089**	129,784
Financial liabilities at amortised cost		
Insurance payables (Note 16)	**43,381**	31,171
Due to related companies (Note 17)	**6,209**	5,946
Other creditors (Note 18)	**3,364**	612
Outstanding claims reserves (Note 15(a))	**25,727**	17,881
Total financial liabilities	**78,681**	55,610

21. Financial risk management (continued)

(b) Capital management

The Branch's objectives while managing capital are as follows:

- To comply with the capital requirements under the Insurance Act, Insurance (Valuation and Capital) Regulations 2004;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns to its shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

An insurer carrying on general insurance business in Singapore is required to maintain the fund solvency margin and capital adequacy ratio as stipulated in the Insurance (Valuation and Capital) Regulations 2004. For each Insurance Fund, the insurer is required to maintain the financial resources at all times not less than the total risk requirement of the fund. The capital adequacy requirement of a registered insurer shall at all times be such that the financial resources of the insurer are not less than:

(i) The sum of:

- The aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act; and

- Where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and liabilities of the insurer that do not belong to any insurance fund established and maintain under the Insurance Act;

(ii) A minimum amount of $5 million, whichever is higher.

The Branch defines capital as regulatory capital. Regulatory capital is the minimum amount of assets that must be held to meet statutory solvency requirements. The Branch monitors its capital position to ensure that the statutory solvency requirements are met at all times.

The Branch is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2019 and 2018.

21. Financial risk management (continued)

(c) *Fair value measurements*

The Branch discloses its fair value measurements by level under the following fair value measurement hierarchy:

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

The fair value of financial instruments traded in active markets (financial assets held at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Branch is the current bid price.

The following table presents assets and liabilities measured at fair value and classified by level 1:

	2019	2018
	$'000	$'000
Financial assets, at fair value through profit or loss	**86,361**	58,051

22. Immediate and ultimate holding corporations

The Branch is a segment of Cigna Europe Insurance Company S.A.-N.V., incorporated in Belgium. The immediate and ultimate holding corporations of Cigna Europe Insurance Company S.A.-N.V. are Cigna Europe Insurance Company S.A.-N.V. and Cigna Holdings Overseas Inc. respectively, incorporated in Belgium and Delaware, USA respectively.

23. Related party transactions

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

(a) *Income and charges for services rendered*

	2019 **$'000**	2018 $'000
Income		
Recharge of employee compensation to a fellow branch	**682**	452
Charges		
Outward reinsurance premiums	**86,676**	67,556
Management expenses paid to Head Office, overseas branches of Head Office and related corporation	**16,156**	10,031

(b) *Key management personnel compensation*

The key management personnel compensation incurred by the Branch during the financial year is as follows:

	2019 **$'000**	2018 $'000
Wages and salaries	**919**	909
Post-employment benefits - contribution to Central Provident Fund	**17**	17
	936	926

24. Disclosure on temporary exemption from applying FRS 109 *Financial Instruments*

According to Amendments to FRS 104 *Insurance Contracts*, the Branch made the assessment based on the financial position as of 31 December 2015, concluding that the carrying amount of the Branch's liabilities arising from contract within the scope of FRS 104 was significant (i.e. greater than 90 percent) compared to the total carrying amount of all its liabilities. There had been no significant change in the activities of the Branch since then that requires reassessment. Therefore, the Branch's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from FRS 109.

24. Disclosure on temporary exemption from applying FRS 109 *Financial Instruments* (continued)

(a) The table below presents the fair value of the following groups of financial assets under FRS 109 as at 31 December 2019 and fair value changes for the year ended 31 December 2019:

	Fair value as at 31 December 2019 $'000	Fair value changes for the year ended 31 December 2019 $'000
Financial assets that met Solely Payments of Principal and Interest ("SPPI") criteria and are not held for trading or managed on a fair value basis	**76,992**	-
Others	**86,361**	905
	163,353	905

(b) The table below presents the credit risk exposure for aforementioned financial assets with contractual terms that give rise on SPPI:

	Carrying amount as 31 December 2019 $'000	Fair value as at 31 December 2019 $'000
A to AA	**29,269**	**29,269**
Below B and not rated	**47,723**	**47,723**
	76,992	**76,992**

For financial assets measured at amortised cost, carrying amount represents amount before adjusting impairment allowance.

25. New or revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Branch. These standards are not expected to have a material impact on the Branch in the current or future reporting periods and on foreseeable future transactions.

26. Authorisation of financial statements

These financial statements were authorised for issue by the Branch's management on 28 April 2020.