ERGO

# Public Disclosure ERGO Insurance Pte Ltd

## 1. ERGO's company profile, nature of its business, key products, and objectives

ERGO Insurance Pte. Ltd. (hereinafter referred to as "ERGO" or the "Company") is a registered general insurer regulated by the Monetary Authority of Singapore. ERGO Insurance is a wholly owned Singapore subsidiary of ERGO Group AG, one of the major insurance groups in Germany and Europe, and the primary insurance arm of Munich Re, one of the leading reinsurers and risk carriers worldwide.

ERGO offers a comprehensive range of

a) commercial insurance products for commercial motor, work injury compensation, bonds, engineering, property, health, corporate personal accident, financial lines and marine; and

b) personal insurance products from private motor and personal accident, home and domestic foreign workers.

ERGO operates in the Singapore market in a highly competitive environment. ERGO's strategy is to balance the portfolio and achieve long-term profitability. Every year ERGO updates the company's plan and actions to be in line with the growth and business mix strategy.

The strategies are communicated to underwriters and monitored on a regular basis. Risk control measures such as implementation of underwriting guidelines and underwriting authorities setting out the limit that any one underwriter can write are in place to ensure appropriate risk selection within the portfolio of business to be underwritten.

## 2. Key features of ERGO's corporate governance framework and management controls

ERGO Insurance is led and controlled by a Board of Directors that is collectively responsible for the long-term success of the Company. The Board of Directors oversees the Company's risk management policies and processes.

The Board has full access to and co-operation of the Management. The internal and external auditors have unrestricted access to the Board of Directors.

ERGO's Board of Management reports to the Board of Directors on strategies and businesses of the Company, including any updates to its policies from time to time.

## 3. ERGO's enterprise risk management framework

The Board of Directors is responsible for establishing a consistent and solid risk management framework. The Board is assisted by the Risk Management Committee.

ERGO's risk management framework includes the Risk Strategy, Risk Management Policy and Own Risk and Solvency Assessment (ORSA). The Risk Strategy establishes which risks ERGO will be exposed to and defines the risk tolerances through suitable risk criteria, e.g. limits and triggers. The Risk Management Policy documents the roles & responsibilities and processes to identify, measure, manage and monitor risks. ERGO performs the ORSA every year to assess the adequacy of our risk management and our current and projected future solvency positions.

ERGO has implemented the "three lines of defence" concept and has in place segregation of duties between the first line of defence (risk-taking business units), second line of defence (Risk Management and Compliance, providing independent oversight) and third line of defence (Internal Audit, providing quality assurance).

ERGO has an asset-liability team which comprises of relevant functions. The asset-liability team has quarterly meetings and discusses Strategic Asset Allocation and Asset-Liability Management issues and proposes investment solutions to the Company's management.

ERGO's investment assets have weighted average duration matched to the duration of our liabilities, to the extent practicable.

## 4. Insurance risk exposure

### 4.1. Property insurance

**Product features**

ERGO writes fire and consequential loss insurance, which indemnifies, subject to certain limits or excesses (if any), the policyholder against loss or damage to buildings and contents arising from an insured peril and loss of profits from business interruption arising from fire and related damage.

Events giving rise to claims for damage to buildings or contents usually occur fortuitously and causes are easily determinable.

**Managing risks**

The key risks associated with these products are underwriting risk and concentration of risks.

The risk on any policy will vary according to many factors such as the occupation, the construction and the age of the property.

These risks are managed primarily through the pricing process and reinsurance protection. Premium charged has to commensurate with the level of risk exposure. ERGO uses strict underwriting criteria to ensure that the risk of losses is within the Company's risk tolerance level. ERGO also takes measures to ensure that the concentration of risks from a particular location is within acceptable limits.

### 4.2. Engineering related insurances

**Product features**

ERGO writes engineering related insurances such as contractors' all risks, employer's liability and performance bond.

For contractors' all risks, the cover is in respect of all risks of loss or damage to the contract works and there is a section on third party liability cover. Under this section, compensation is payable for loss or damage, or injury suffered by third parties arising from the works. The main exposure is the risk of collapse for construction works and damage to underground pipes and cables for excavation works.

Under the liability section, bodily injury claims are typically the largest source of uncertainty in estimating the claim liabilities. These uncertainties include the reporting lag, the number of parties involved in the claims, whether the insured event is over multiple time periods and the potential amount of claim.

Employers' liability is payable for employees' personal injury by accident or disease caused arising out of and in the course of their employment. The main exposure is concentration of risks where an event could involve a number of employees and also from exaggerated common law claims.

The event giving rise to a claim under performance bond is usually attributed to the contractor's failure to perform their obligations under the contract which could be due to insolvency of the contractor or disputes between the principal and contractor. Claims can be protracted when dispute is pursued through legal action.

**Managing risks**

The key risks associated with engineering related insurances relate to underwriting risks, the extent of concentration of risks and the potential of third parties to exaggerate or invent losses. For performance bond, the key risk is the inability of the contractor to complete the contract as well as the general economic environment, which may affect the contractor's ability to perform its obligations.

Risks arising from these related classes are managed through risk survey, risk selection, applying appropriate limits and terms and by the appropriate reinsurance protection. In addition, ERGO monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that risks, which meet the Company's criteria for profitability, are underwritten.

### 4.3. Marine cargo

#### Product features

ERGO writes cargo insurance covering loss or damage to cargo whilst in transit from the place of shipment to the final destination named in the policy.

#### Managing risks

Key risks associated with this product are underwriting risks. The risk factors to be considered related to underwriting are types of cargo, details of packing, means of conveyance, the voyage and type of cover. These risks are managed primarily through the pricing process and reinsurance.

### 4.4. Motor insurance

#### Product features

ERGO writes motor insurance in Singapore. This comprises both the property and the liability covers, and therefore, includes both shorter and longer tail coverage. The faster settlements are in respect of own damage claims and third-party property damage claims, subject to any limits or excesses. Claims that are more difficult to estimate and take a longer period to finalise are the third-party bodily injury cases.

#### Managing risks

For motor insurance, the risk factors to be considered include age of driver, driving experience, occupation, make and type of vehicle. These risks are managed through the pricing and underwriting process. ERGO monitors and reacts to changes in the trends of injury awards and also the market environment in which it operates.

### 4.5. Other classes of insurance

#### Product features

ERGO also writes personal accident insurance and miscellaneous insurance such as burglary insurance, money insurance etc. Under personal accident insurance, benefits are paid for death or permanent disablement from accidents. For burglary and money insurance, the coverage is in respect of loss or damage to property and loss of money, respectively.

#### Managing risks

Key risks associated with these products are underwriting risks and concentration risks. The risk factors to be considered relating to underwriting of personal accident insurance are occupation, age of policyholder and the benefits selected. For burglary insurance, the type of property insured, location, its value and safety measures are key risks factors. As for money insurance, the key risk factors are the business of the insured, the limit insured and the level of safety precautions.

These risks are managed primarily through the pricing process and reinsurance protection. Premium charged have to commensurate with the level of risk exposure. ERGO also takes measure to ensure that the concentration of risk under group personal accident insurance is within acceptable limits.

### 4.6. Concentration of insurance risk

A key aspect of the insurance risks faced by ERGO is the extent of concentration of insurance risks. This may arise from the accumulation of risks within a number of individual classes or contracts.

Concentration of risk can arise in both high-severity, low-frequency events, such as natural disasters and from a single event affecting a number of individual classes or contracts.

ERGO's key methods in managing these risks are as follows:

Firstly, the risk is managed through proper underwriting. Underwriters practice prudent selection of risks and ensure that premiums commensurate with the risks assumed.

Secondly, the risk is managed through the use of reinsurance. ERGO purchases both excess of loss covers as well as proportional treaty arrangements with reputable reinsurers which provides protection on the insurance business written by ERGO above a certain net retention of risk. The costs and benefits associated with the reinsurance programme is being reviewed periodically.

## 5. Technical provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

### Methodology

Triangulation (PCL, ICL, ADD)

The loss development factors are selected after considering various average loss development factors for each development year.

The Company excludes individual data points from the triangle for the reasons of:

- Erroneous data entries (used for best estimate and variability projections)
- Outliers that would disrupt the pattern (used for best estimate only)

Bayesian Methods (e.g. BF, Benktander)

The Bayesian methods combine Chain Ladder with an a priori estimator (Expected Loss Ratio or ELR) using credibility. These methods can be applied on both paid and incurred claims data. There are several parameters required for the BF method. All are chosen individually per line of business.

Results and Trend Analysis (ULR)

The Company generally calculates estimates for all methods available. The final selection is made comparing the results of:

- Incurred (Statistical Data)
- PCL (Projected Data)
- ICL (Projected Data)
- Bayesian methods (Projected Data)

The selection is taken per LOB and per accident quarter. Weighted averages of several methods are common in the industry.

Cash-Flow Projection

The pay-out patterns are selected separately for each line of business. The possible patterns available are the following:

- Pattern used in PCL

The pay-out patterns are generally reviewed within the actual versus expected method.

Variability Analysis (PAD)

The Company uses Mack Method for the variability analysis using the unaltered payment triangulation.

The variability is calculated per line of business.

Gross to Net Conversion

The initial analysis is conducted at gross of reinsurance basis as the claim development patterns are undisturbed by the reinsurance program and changes to the reinsurance program. The reinsurance assumptions are then applied to gross claim liability to obtain net of reinsurance results.

The provision for insurance claims, including provision for incurred but not reported claims (IBNR), is initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The Company purchases a range of "excess of loss" and other reinsurance contracts with sufficient high retentions for only relative few, large claims to be recoverable. The method uses historical data, gross IBNR estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the reinsurance assets. The Company considers the credit rating of the individual reinsurer in the initial measurement of the reinsurance asset.

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to premiums.

*Discount rates*

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

| | **1 year** | | **3 years** | | **5 years** | | **10 years** | |
|---|---|---|---|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| **2024** | | | | | | | | |
| Liability for insurance contracts issued | 2.66% | 3.21% | 2.63% | 2.66% | 2.69% | 2.56% | 2.79% | 2.59% |
| Liability for reinsurance contracts issued | 2.66% | 3.21% | 2.63% | 2.66% | 2.69% | 2.56% | 2.79% | 2.59% |

*Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is the compensation that ERGO requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

ERGO has estimated the risk adjustment using a cost-of-capital method. The level of risk adjustment for non-financial risk used by ERGO corresponds to a confidence level exceeding 75% over a one-year period.

*Sensitivities*

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

The results of the sensitivity analysis and the impact on loss before tax and impact on equity as at 31 December are as follows:

| | | 2024 | | | |
|---|---|---|---|---|---|
| | **Change in assumptions** | **Impact on profit before tax gross of reinsurance increase / (decrease)** | **Impact on profit after tax net of reinsurance increase / (decrease)** | **Impact on equity gross of reinsurance Increase/ (decrease)** | **Impact on equity net of reinsurance Increase/ (decrease)** |
| | | S$'000 | S$'000 | S$'000 | S$'000 |
| Weighted average term to settlement | +10% | 156 | 76 | 156 | 76 |
| Expected loss | +10% | (3,683) | (1,802) | (3,683) | (1,802) |
| Inflation rate | +1% | (368) | (180) | (368) | (180) |
| Weighted average term to settlement | -10% | (157) | (77) | (157) | (77) |
| Expected loss | -10% | 3,683 | 1,802 | 3,683 | 1,802 |
| Inflation rate | -1% | 368 | 180 | 368 | 180 |

| | | 2023 | | | |
|---|---|---|---|---|---|
| | **Change in assumptions** | **Impact on loss before tax gross of reinsurance increase / (decrease)** | **Impact on loss after tax net of reinsurance increase / (decrease)** | **Impact on equity gross of reinsurance Increase/ (decrease)** | **Impact on equity net of reinsurance Increase/ (decrease)** |
| | | S$'000 | S$'000 | S$'000 | S$'000 |
| Weighted average term to settlement | +10% | (112) | (95) | 112 | 95 |
| Expected loss | +10% | 2,908 | 2,465 | (2,908) | (2,465) |
| Inflation rate | +1% | 291 | 247 | (291) | (247) |
| Weighted average term to settlement | -10% | 117 | 99 | (117) | (99) |
| Expected loss | -10% | (2,908) | (2,465) | 2,908 | 2,465 |
| Inflation rate | -1% | (291) | (247) | 291 | 247 |

## 6. Capital Adequacy

ERGO's capital management policy aims to:

- maintain a strong capital base to sustain and grow the business so as to uphold creditors and market confidence.
- comply with the regulatory capital requirements for the Company; and
- provide an adequate return to shareholders through prudent underwriting of insurance risks and optimising investment returns within the risk parameters established by the Board of Directors.

ERGO determines the amount of capital in accordance with business expansion needs as well as to meet the regulatory capital requirements for the Company. Capital consists of total equity. The Company also uses, where it is efficient to do so, sources of capital such as reinsurance, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital. The Board monitors the return on shareholders' equity, which is defined as net profit after tax divided by total shareholders' equity, and the level of dividends to ordinary shareholders. In addition, the Board establishes and monitors the Capital Adequacy Ratio ( CAR ) of the Company, defined in the Insurance (Valuation and Capital) Regulations 2004 as the total financial resources divided by total risk requirements of the insurer. Within the monitoring framework of CAR, the Board monitors capital adequacy requirements to ensure that its financial resources are above the threshold of its as directed by the Monetary Authority of Singapore.

ERGO was in compliance with regulatory imposed capital requirements in 2024 and 2023.

There were no significant changes in ERGO's approach to capital management during the financial year. As at 31 December 2024, ERGO's CAR is 213% (2023: 261%).

### Reserves

The reserves comprise the following items:

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Fair value reserve | (2) | (384) |
| Capital reserve | 930 | 930 |

The fair value reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Capital reserve relates to the fair value of the redeemed and cancelled share options transferred from the share option reserve.

## 7. Investments

ERGO follows a liability-driven investment approach. The risk of the investment portfolio is measured in terms of its deviation from a structure that would match liabilities. The investment portfolio follows the principles of prudence, profitability, and liquidity. The investment management ensures a well-balanced asset mix and a good degree of diversification.

The table below summarises the financial assets held by the Company and the credit ratings which are based on Standard and Poor's financial strength rating or its equivalent.

Fixed income investments are assessed using stringent investment criterion and this includes, but is not limited to, a thorough analysis of each security's terms and conditions, the availability and quality of the guarantor, as well as financial strength of the issuer.

| | Financial strength rating | | | | |
|---|---|---|---|---|---|
| | AAA | A to AA | B to BBB | Unrated | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **2024** | | | | | |
| Financial assets measured at FVOCI | | | | | |
| - Singapore government bonds | 38,178 | – | – | – | 38,178 |
| - Public authority bonds | 7,766 | – | – | 1,503 | 9,269 |
| - Other corporate bonds | 2,504 | 3,258 | 7,582 | – | 13,344 |
| Accrued interest on debt securities | 291 | 37 | 48 | – | 376 |
| Other debtors | 60 | 5 | 44 | 18 | 127 |
| Deposits | – | 5 | – | 125 | 130 |
| Cash and cash equivalents | – | 11,591 | 4,297 | – | 15,888 |
| Reinsurance contract assets | – | 57,965 | 874 | 11,390 | 70,229 |
| | 48,799 | 72,861 | 12,845 | 13,036 | 147,541 |

| | Financial strength rating | | | | |
|---|---|---|---|---|---|
| | AAA | A to AA | B to BBB | Unrated | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| 2023 | | | | | |
| Financial assets measured at FVOCI | | | | | |
| - Singapore government bonds | 41,899 | – | – | – | 41,899 |
| - Public authority bonds | – | – | – | 994 | 994 |
| - Other corporate bonds | 2,006 | 3,488 | 2,019 | – | 7,513 |
| Accrued interest on debt securities | 295 | 23 | 15 | – | 333 |
| Other debtors | 1 | 6 | 6 | 3 | 16 |
| Deposits | – | 4 | – | 126 | 130 |
| Cash and cash equivalents | – | 15,294 | 1,243 | – | 16,537 |
| Reinsurance contract assets | – | 21,251 | 112 | 5,207 | 26,570 |
| | 44,201 | 40,066 | 3,395 | 6,330 | 93,992 |

*Sensitivity analysis*

ERGO's debt securities were measured as available-for-sale financial assets in 2023 and FVOCI in 2024. As a result, changes in fair value of debt securities are recognised directly in equity.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

| | Change in interest rate | 2024<br>Impact on equity<br>$'000 | 2023<br>Impact on equity<br>$'000 |
|---|---|---|---|
| Insurance and reinsurance contract | +100 bps | 153 | 155 |
| Debt securities | +100 bps | (956) | (552) |
| Insurance and reinsurance contract | -100 bps | (156) | (139) |
| Debt securities | -100 bps | 956 | 552 |

Investment securities

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **At fair value:** | | |
| **Financial assets measured at FVOCI** | | |
| Singapore government bonds | 38,178 | 41,899 |
| Quoted public authority bonds | 9,269 | 994 |
| Quoted other corporate bonds | 13,344 | 7,513 |
| | 60,791 | 50,406 |
| Current portion | 15,465 | 28,134 |
| Non-current portion | 45,326 | 22,272 |
| | 60,791 | 50,406 |

The loss allowance for debt investments at FVOCI of S$7,959 (2023: S$1,000) does not reduce the carrying amount of these investments (which are measured at fair value), but gives rise to an equal and opposite gain in OCI.

The weighted average interest rates of debt securities available-for-sale at the reporting date and the periods in which they mature are as follows:

| | | **Fixed interest rate maturing** | | | |
|---|---|---|---|---|---|
| | **Weighted average effective interest rate<br>%** | **Within 1 year<br>S$'000** | **Within 1 to 5 years<br>S$'000** | **After 5 years<br>S$'000** | **Total<br>S$'000** |
| **2024** | | | | | |
| **Debt securities at FVOCI** | | | | | |
| - Singapore government bonds | 1.49 | 7,228 | 30,950 | – | 38,178 |
| - Public authority bonds | 0.44 | 2,979 | 6,290 | – | 9,269 |
| - Other corporate bonds | 0.86 | 5,258 | 8,086 | – | 13,344 |
| | | 15,465 | 45,326 | – | 60,791 |

**2023**

| | | | | | |
|---|---|---|---|---|---|
| **Debt securities at FVOCI** | | | | | |
| - Singapore government bonds | 2.02 | 22,903 | 18,996 | – | 41,899 |
| - Public authority bonds | 0.04 | 994 | – | – | 994 |
| - Other corporate bonds | 0.54 | 4,237 | 3,276 | – | 7,513 |
| | | 28,134 | 22,272 | – | 50,406 |

**Fair value hierarchy**

The table below analyses financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **2024** | | | | |
| Available-for-sale financial assets | | | | |
| - Quoted debt securities | 60,791 | – | – | 60,791 |
| **2023** | | | | |
| Available-for-sale financial assets | | | | |
| - Quoted debt securities | 50,406 | – | – | 50,406 |

During the current and prior financial years, there have been no transfers between the different levels.

## 8. Financial Performance

**Total investment income and net insurance financial result**

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance related | | | | | |
| | Motor insurance | Workmen compensation insurance | Surety insurance | Other insurance | Non-insurance related | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Reinsurance finance income/(expenses) from reinsurance contracts held** | | | | | | |
| Interest accreted to reinsurance contracts using current financial assumptions | 827 | 190 | 79 | 291 | – | 1,387 |
| Changes in non-performance risk of reinsurer | – | – | – | – | – | – |
| Effects from changes in market variables | (29) | 177 | 56 | 67 | – | 271 |
| Net foreign exchange income/(expenses) | – | – | – | – | – | – |
| **Reinsurance finance income/(expenses) from reinsurance contracts held** | **798** | **367** | **135** | **358** | **–** | **1,658** |
| Represented by: | | | | | | |
| Amounts recognised in profit or loss | 827 | 190 | 79 | 291 | – | 1,387 |
| Amounts recognised in OCI | (29) | 177 | 56 | 67 | – | 271 |
| **Total net investment income, insurance finance expenses and reinsurance finance income** | **(410)** | **80** | **(208)** | **(298)** | **1,922** | **1,086** |
| Represented by: | | | | | | |
| Amounts recognised in profit or loss | (352) | (33) | (241) | (281) | 1,540 | 633 |
| Amounts recognised in OCI | (58) | 113 | 33 | (17) | 382 | 453 |

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Insurance related | | | | | |
| | Motor insurance | Workmen compensation insurance | Surety insurance | Other insurance | Non-insurance related | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Investment income** | | | | | | |
| **Amounts recognised in the profit or loss** | | | | | | |
| Interest revenue calculated using the effective interest method | – | – | – | – | 704 | 704 |
| Other investment income | – | – | – | – | 106 | 106 |
| Net fair value gains/(losses) on financial assets at fair value through profit or loss | – | – | – | – | – | – |
| Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income | – | – | – | – | (3) | (3) |
| Impairment loss on financial assets | – | – | – | – | – | – |
| Net foreign exchange income/(expenses) | – | – | – | – | 4 | 4 |
| **Total amounts recognised in the profit or loss** | – | – | – | – | 811 | 811 |
| **Amounts recognised in OCI** | – | – | – | – | 867 | 867 |
| **Total investment income** | – | – | – | – | 1,678 | 1,678 |

**Other income and expenses**

| | 2024 S$'000 | 2023 S$'000 |
|---|---|---|
| **Other income:** | | |
| Other sundry income | 95 | 31 |
| Interest from collateral deposit | 108 | 84 |
| Total other income | 203 | 115 |
| **Other expenses:** | | |
| Information technology related fees | 172 | 206 |
| Interest paid on lease liabilities | 95 | 113 |
| Taxes, license & fees | 98 | 77 |
| Audit fee | 260 | 441 |
| Contributions & donations | - | 1 |

| | | |
|---|---|---|
| GST irrecoverable tax | 134 | 130 |
| Property tax | 7 | 20 |
| Bank charges | 4 | 2 |
| Depreciation on right-of use assets | 411 | 411 |
| Total other expenses | 1,181 | 1,401 |
| **Total other income and expenses** | (978) | (1,286) |

## Claims development

*Analysis of claims development – gross undiscounted liabilities for incurred claims*

| | Accident year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2024** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **Total** |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Estimate of cumulative claims | 45,660 | 30,912 | 25,097 | 17,734 | 18,991 | 19,266 | 25,193 | 29,713 | 212,566 |
| Cumulative payments: | | | | | | | | | |
| At end of accident year | 16,034 | 10,483 | 10,015 | 7,456 | 7,195 | 7,280 | 7,986 | 8,493 | – |
| - One year later | 33,035 | 22,604 | 19,744 | 14,797 | 14,464 | 15,222 | 15,783 | – | – |
| - Two years later | 39,441 | 25,121 | 22,934 | 15,965 | 15,849 | 16,653 | – | – | – |
| - Three years later | 40,833 | 26,991 | 24,127 | 16,881 | 16,509 | – | – | – | – |
| - Four years later | 42,214 | 27,635 | 24,246 | 17,371 | – | – | – | – | – |
| - Five years later | 42,801 | 28,559 | 24,645 | – | – | – | – | – | – |
| - Six years later | 43,263 | 28,985 | – | – | – | – | – | – | – |
| - Seven years later | 44,303 | – | – | – | – | – | – | – | – |
| Cumulative payments | 44,303 | 28,985 | 24,645 | 17,371 | 16,509 | 16,653 | 15,783 | 8,493 | 172,742 |
| Gross undiscounted liabilities for incurred claims | (1,643) | 1,928 | 453 | 363 | 2,482 | 2,613 | 9,410 | 21,221 | 36,827 |
| Effect of discounting | – | – | – | – | – | – | – | | (3,046) |
| Estimates of the present value of future cash flows | – | – | – | – | – | – | – | | 33,781 |
| Risk adjustment | – | – | – | – | – | – | – | | 175 |
| Insurance (receivables) / payables | – | – | – | – | – | – | – | | 5,380 |
| Total gross liabilities for incurred claims | | | | | | | | | 39,336 |

| At 31 December 2023 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Accident year | | | | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Estimate of cumulative claims | 48,776 | 45,130 | 31,432 | 26,053 | 17,274 | 19,485 | 23,986 | 17,621 | 229,757 |
| Cumulative payments: | | | | | | | | | |
| At end of accident year | 12,249 | 16,034 | 10,483 | 10,015 | 7,456 | 7,195 | 7,280 | 7,986 | – |
| - One year later | 34,373 | 33,035 | 22,604 | 19,744 | 14,797 | 14,464 | 15,222 | – | – |
| - Two years later | 40,642 | 39,441 | 25,121 | 22,934 | 15,965 | 15,849 | – | – | – |
| - Three years later | 43,843 | 40,833 | 26,991 | 24,127 | 16,881 | – | – | – | – |
| - Four years later | 45,063 | 42,214 | 27,635 | 24,246 | – | – | – | – | – |
| - Five years later | 46,166 | 42,801 | 28,559 | – | – | – | – | – | – |
| - Six years later | 48,019 | 43,263 | – | – | – | – | – | – | – |
| - Seven years later | 48,154 | – | – | – | – | – | – | – | – |
| Cumulative payments | 48,154 | 43,263 | 28,559 | 24,246 | 16,881 | 15,849 | 15,222 | 7,986 | 200,160 |
| Gross undiscounted liabilities for incurred claims | 622 | 1,867 | 2,873 | 1,807 | 393 | 3,636 | 8,764 | 9,635 | 29,597 |
| Effect of discounting | – | – | – | – | – | – | – | – | (476) |
| Estimates of the present value of future cash flows | – | – | – | – | – | – | – | – | 29,121 |
| Risk adjustment | – | – | – | – | – | – | – | – | 104 |
| Insurance (receivables) / payables | – | – | – | – | – | – | – | – | (5) |
| Total gross liabilities for incurred claims | | | | | | | | | 29,220 |

*Analysis of claims development – net undiscounted liabilities for incurred claims*

| At 31 December 2024 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Accident year | | | | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Estimate of cumulative claims | 21,675 | 18,841 | 11,097 | 9,169 | 12,938 | 13,779 | 18,971 | 21,849 | 128,319 |
| Cumulative payments: | | | | | | | | | |
| At end of accident year | 9,325 | 6,435 | 4,645 | 3,569 | 4,624 | 4,907 | 5,921 | 2,596 | – |
| - One year later | 17,428 | 13,632 | 8,493 | 7,476 | 9,237 | 10,424 | 10,594 | – | – |
| - Two years later | 20,633 | 15,022 | 9,587 | 8,098 | 10,235 | 11,453 | – | – | – |
| - Three years later | 21,571 | 16,053 | 10,164 | 8,527 | 10,728 | – | – | – | – |
| - Four years later | 22,284 | 16,426 | 10,490 | 8,846 | – | – | – | – | – |
| - Five years later | 22,603 | 16,911 | 10,693 | – | – | – | – | – | – |
| - Six years later | 22,851 | 17,124 | – | – | – | – | – | – | – |
| - Seven years later | 23,137 | – | – | – | – | – | – | – | – |
| Cumulative payments | 23,137 | 17,124 | 10,693 | 8,846 | 10,728 | 11,453 | 10,594 | 2,956 | 95,531 |
| Net undiscounted liabilities for incurred claims | (1,463) | 1,716 | 403 | 323 | 2,210 | 2,327 | 8,377 | 18,893 | 32,786 |
| Effect of discounting | – | – | – | – | – | – | – | | (2,710) |
| Estimates of the present value of future cash flows | – | – | – | – | – | – | – | | 30,076 |
| Risk adjustment | – | – | – | – | – | – | – | | 161 |
| Insurance receivables and payables | – | – | – | – | – | – | – | | (14,198) |
| Total net liabilities for incurred claims | | | | | | | | | 16,039 |

| At 31 December 2023 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Accident year | | | | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Estimate of cumulative claims | 27,245 | 23,896 | 18,518 | 11,501 | 8,747 | 12,270 | 15,328 | 11,312 | 128,817 |
| Cumulative payments: | | | | | | | | | |
| At end of accident year | 6,709 | 9,325 | 6,435 | 4,645 | 3,569 | 4,624 | 4,907 | 5,921 | – |
| - One year later | 20,127 | 17,428 | 13,632 | 8,493 | 7,476 | 9,237 | 10,424 | – | – |
| - Two years later | 23,122 | 20,633 | 15,022 | 9,587 | 8,098 | 10,235 | – | – | – |
| - Three years later | 25,006 | 21,571 | 16,053 | 10,164 | 8,527 | – | – | – | – |
| - Four years later | 25,814 | 22,284 | 16,426 | 10,490 | – | – | – | – | – |
| - Five years later | 26,408 | 22,603 | 16,911 | – | – | – | – | – | – |
| - Six years later | 26,785 | 22,851 | – | – | – | – | – | – | – |
| - Seven years later | 26,897 | – | – | – | – | – | – | – | – |
| Cumulative payments | 26,897 | 22,851 | 16,911 | 10,490 | 8,527 | 10,235 | 10,424 | 5,921 | 112,256 |
| Net undiscounted liabilities for incurred claims | 348 | 1,045 | 1,607 | 1,011 | 220 | 2,035 | 4,904 | 5,391 | 16,561 |
| Effect of discounting | – | – | – | – | – | – | – | – | (266) |
| Estimates of the present value of future cash flows | – | – | – | – | – | – | – | – | 16,295 |
| Risk adjustment | – | – | – | – | – | – | – | – | 73 |
| Insurance receivables and payables | – | – | – | – | – | – | – | – | 4,384 |
| Total net liabilities for incurred claims | | | | | | | | | 20,752 |

## 9. Key accounting methodologies and assumptions

Basis of preparation

**Statement of compliance**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the respective insurance fund established under Section 16 of the Insurance Act. The net assets of the Company held in the insurance fund must be sufficient to meet the solvency requirements stipulated in Section 17 at all times. Assets held in the insurance fund may be withdrawn only if the withdrawal meets the requirements stipulated in Section 16 and the Company continues to be able to meet the solvency requirements of Section 17. All other assets and liabilities are accounted for in the books of the "shareholders' fund".

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies or the explanatory notes set out below.

**Functional and presentation currency**

These financial statements are presented in Singapore dollars which is the Company's functional currency. The financial information is presented in Singapore dollars, rounded to the nearest thousand ($'000), unless otherwise stated.

The functional currency of the Company is the Singapore dollar as premiums and claims are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the directors of the Company are of the opinion that the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Company.

**Use of estimates and judgements**

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

- Note 3 – significant accounting judgements and estimates

**Standards issued but not yet effective**

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability | 1 January 2025 |

| | |
|---|---|
| Amendments to FRS 109 Financial Instruments and FRS 107 Financial Instruments: Disclosures: Amendments to the Classification and Measurement of Financial Instruments | 1 January 2026 |
| Annual Improvement to FRSs Volume 11 | 1 January 2025 |
| FRS 118 Presentation and Disclosure in Financial Statements | 1 January 2027 |

Except for FRS 118, the management expects that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

FRS 118 Presentation and Disclosure in Financial Statements 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 discontinued operations, whereof the first three are new.

It also requires disclosure 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 still assessing the impact of FRS 118 to the Company's financial statements.

**Significant accounting judgements and estimates**

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

a) Impairment of financial assets measured at FVOCI

ERGO records impairment charges on financial assets measured at FVOCI when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, ERGO evaluates, among other factors, historical price movements and the duration and extent to which the fair value of an investment is less than its cost.

b) Impairment losses of financial assets

The measurement of impairment losses under FRS 109 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

c) Determination of lease terms of contracts with extension and termination options

ERGO 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.

ERGO has a lease contract that include extension options. ERGO 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, ERGO 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).

ERGO included the extension option in the lease term for leases of leasehold building because of the leasehold improvements made and the significant costs that would arise to replace the assets.

As at 31 December 2024, potential future (discounted) cash outflows of approximately S$818,484 (2023: S$1,195,077) have been included in lease liabilities because it is reasonably certain that the leases will be extended.

d) Leases – Estimating the incremental borrowing rate

ERGO 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 ERGO 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 ERGO '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. ERGO estimates the incremental borrowing rate using observable inputs (such as market interest rate) when available and is required to make certain entity-specific estimates.

e) Insurance and reinsurance contracts

ERGO applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to ERGO's previous accounting treatment under FRS 104. However, when measuring liabilities for incurred claims, ERGO now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

For this purpose, management relies significantly on the actuarial valuation performed by an approved actuary in accordance with FRS 117.

The description of the principal estimates and assumptions underlying the determination of insurance and reinsurance contract liabilities and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis below. The sensitivity analysis has been performed on a net basis after accounting for reinsurance.

Liability for remaining coverage

Insurance acquisition cash flows

ERGO is eligible and chooses to recognise insurance acquisition cash flows as an expense immediately as incurred for all portfolios.

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

The effect of electing to recognise insurance acquisition cash flows as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Time value of money

For all product lines, ERGO adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that ERGO's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the property line of business permit ERGO to sell property acquired in settling a claim. ERGO also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

## 10. Environmental Risk Management Disclosure

As part of ERGO Group, ERGO Insurance (Singapore) is guided by our Group's environmental risk management strategy. A summary of our Group's approach can be found on its website at the following link: https://www.ergo.com/en/sustainability/areas-of-activity/environment.

ERGO Group publishes an annual sustainability report. The ERGO Group Sustainability Report 2023 can be downloaded at: https://www.ergo.com/en/Nachhaltigkeit/Reporting-und-Kennzahlen/Nachhaltigkeitsbericht.

The Report covers the period from 1 January 2023 to 31 December 2023. The Report was prepared in accordance with the GRI (Global Reporting Initiative) Standards. Key sections containing our Group's environmental risk management practices are:

- Page 4: Our sustainability strategy and key voluntary commitments,

- Pages 4 – 7: Responsible corporate governance,

- Page 12: Sustainable products and services,

- Pages 13 - 14: Sustainable Investment, and

- Pages 15 - 16: Environmental and Climate Protection.

## 11. Additional Information

Additional information on the Company can be found in the following:

a) Company's Annual Report for financial year ended 31 December 2024, available publicly from ACRA at this hyperlink: https://www.bizfile.gov.sg/

b) Company's MAS Returns, available publicly from MAS and found at this hyperlink: https://www.mas.gov.sg/statistics/insurance-statistics/insurance-company-returns/I846G