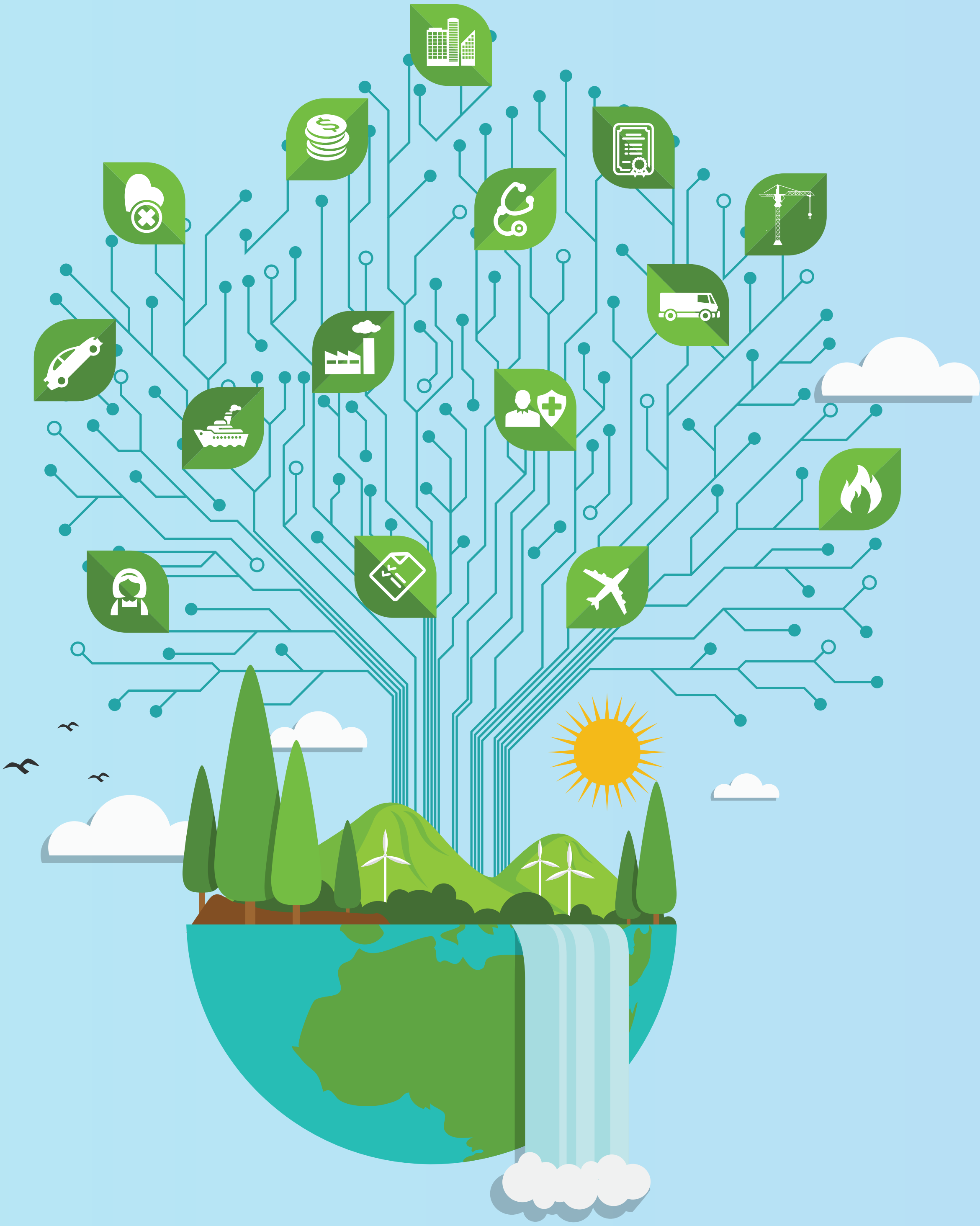
eqinsurance

You've Got a Friend



ANNUAL REPORT 2019

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ABOUT US

01

EQ Insurance Company Limited is a homegrown general insurance provider.

Set up in February 2007, it built its initial insurance success through the construction-related industry and has since grown to underwrite all classes of commercial and personal insurance, including motor, property, casualty, financial protection (trade credit, professional indemnity), marine as well as accident and health insurance to a diverse group of clients.

It is a rapidly growing company with a proven management team and a strong network of intermediaries, including agents, brokers, and financial advisers.

EQ Insurance is part of the Citystate group of companies which includes other established brands in various service industries.

VISION

A financially strong, Singapore-based multinational insurance firm writing international business.

MISSION

Underwrite a profitable portfolio of non-life insurance business; develop a team of competent young executives to lead the company's expansion; and build a value-driven organisation.

CORE VALUES

EASE

To ensure that intermediaries have access to us and our facilities for quotation and issue of certificates of insurance.

To ensure that customers enjoy a seamless enquiry, application, and payment process, making it easy for them to buy our products.

QUALITY

To ensure that intermediaries benefit from quality support, advice on guidelines, and consistent information on procedures.

To ensure that customers benefit from quality products, advice, and consistent information when purchasing a policy or enquiring on a claim.

INTEGRITY

To ensure that intermediaries experience transparency in our dealings and procedures.

To ensure that customers experience honest and reliable claims solutions.

02

BUSINESS OVERVIEW

Business Overview

During 2019, Singapore's economy grew 0.7%, the slowest rate since 2009[1] , and a drop from the 3.4% growth in 2018. Against this backdrop, EQ Insurance **("EQI")** achieved a 6% drop in gross written premium **("GWP")** of S$51.7 million in 2019. Despite the drop, we still surpassed a revenue milestone of above S$50 million for the second consecutive year.

The general insurance sector in Singapore observed a 12% increase in claims incurred to S$1.5 billion, while underwriting losses came in at S$28.0 million in 2019.[2] Similarly, EQI witnessed a net underwriting loss of S$1.7 million during the year in review.

Notwithstanding this, we managed to initiate a portfolio clean-up by shedding unprofitable and/or riskier business lines, while diverting resources to more profitable and/or core business lines to improve the bottomline. This has already yielded positive results for our underlying profitability, which will become more apparent in future financial results.

A review of business lines in 2019

During the year, our active efforts to recalibrate our portfolio, resulted in a revenue improvement in the business lines for our Work Injury Compensation, Engineering, Foreign Worker Bond and Health (including Foreign Worker Medical), Personal Accident, as well as Marine Cargo and Marine Hull.

On the flipside, revenue from our commercial and private Motor portfolio declined mainly due an overhaul of the business lines to better reflect the market share of such vehicles on the road. Other less profitable and riskier business lines, including Public Liability, Trade Credit Policy and bonds portfolio were sectors that we reallocated resources away from, and hence experienced a decline in revenue.

Motor

Raking in S$1.1 billion, motor insurance was the largest GWP contributor to Singapore's general insurance sector in 2019. Fueled by a spike in private-hire cars in Singapore, vehicle population rose to its highest level since 2013.[2]

While this translated into a 1% increase in GWP from the previous year, the sector suffered an underwriting loss of S$17.4 million compared to a profit of S$9.2 million in 2018. The General Insurance Association of Singapore **("GIA")** attributed this to a higher vehicle population, as well as vehicles with higher risk profiles, as there are more frequently driven private-hire cars on the roads. Correspondingly, this was reflected in a 1.4% increase in total road accidents reported in Singapore during the year. Despite the rise in accidents and subsequent claims incurred, average motor premiums reduced in 2019,[2] highlighting the intensive nature of competition within the Motor segment.

Motor accounted for 36% of our GWP in 2019. GWP from the Commercial and Private business lines dipped 30% and 5% to S$10.0 million and S$8.5 million respectively, in line with our strategic business direction.

Even though the Motor segment remains highly competitive, we intend to continue focusing on growing our portfolio because of the stability in the general vehicle population in Singapore regulated by the government.

[1] Ministry of Trade and Industry press release: MTI Downgrades 2020 GDP Growth Forecast to "-0.5 to 1.5% Per Cent" (17 February 2020)

[2] General Insurance Association of Singapore press release: SG General Insurance Sector Achieves Stable Growth in 2019 With More Claims Paid Out Across Most Segments (24 March 2020)

ENGINEERING INSURANCE

▲25%

ACCIDENT & HEALTH INSURANCE

▲19%

WORK INJURY COMPENSATION

▲12%

Property & Casualty and Marine

Property insurance in Singapore also encountered a testing year in 2019, reversing into the red with an underwriting loss of S$4.0 million in 2019, compared an underwriting profit of S$22.4 million in 2018.

Our largest segment – Property & Casualty and Marine – remained stable in 2019, delivering a GWP of S$20.0 million.

Work Injury Compensation, making up 55% of the segment, saw GWP increase 12% to S$10.8 million. GWP from the Engineering and Foreign Worker Bonds also rose, by 25% and 22%, to S$1.7 million and S$0.9 million respectively.

Conversely, GWP from Fire and Public Liability dipped 17% and 39% to S$1.8 million and S$1.7 million respectively.

Singapore's marine hull insurance and cargo insurance sector saw varying achievements during the year, posting an underwriting loss of S$45.5 million and underwriting profit of S$17.3 million respectively.

Coming off a lower base for EQI, the Marine Cargo and Marine Hull business lines, improved 35% and 82% to S$0.9 million and S$0.2 million respectively. With a new marine manager onboard to stimulate these business lines, the hire has proven to be a good decision.

Accident and Health

In 2019, health insurance in Singapore narrowed its gross underwriting losses by 75% to S$11.2 million, from S$44.2 million the year before. Meanwhile, travel insurance saw an underwriting loss of S$3.4 million in 2019, from a profit of S$1.7 million in 2018, and personal accident insurance delivered a stable performance, achieving an underwriting profit of S$17.2 million.

Largely due to our strategic direction to increase focus on our core portfolio during the year, our Accident and Health portfolio grew 19% to S$12.0 million.

Within the Accident and Health segment, all of the business lines grew steadily. GWP from Health grew 19% to a total of S$9.4 million, while Foreign Worker Medical grew 11% to S$5.1 million. Whereas Personal Accident grew 35% to S$1.6 million.

During the year, there were 10.7 million departures made by Singapore residents, a growth of 3% from the preceding year. As a result, our Travel portfolio grew a modest 2% to S$1.0 million. Contributing to the improvement in our travel portfolio, we also enhanced our travel product at the tail-end of 2019, which we hope will gradually win market share.

Maintaining a strong balance sheet amid uncertainties

On the back of effectively managing our balance sheet strength, as well as delivering an adequate operating performance while limiting our business exposure and adopting appropriate enterprise risk management **("ERM")**, the outlook for EQI's Financial Strength Rating **("FSR")** of B++ (Good) and our Long-Term Issuer Credit Rating **("Long-Term ICR")** of bbb+ was affirmed by A.M. Best.

Nevertheless, EQI's Long-term ICR was revised to negative from stable as there is growing pressure on the company's operating performance amid Singapore's challenging insurance market over the near term, even as we execute our portfolio streamlining to return to profitability.

Positioning EQI for the future

Despite navigating a challenging year in 2019, we persevered in streamlining our portfolio to improve our long-term sustainability. This meant shifting focus away less profitable, riskier and non-core portfolio, while sharpening efforts to grow our more profitable and core portfolio.

Notwithstanding an unpredictable economic fallout from COVID-19 on Singapore and the insurance industry, we are optimistic that our efforts will position EQI for an improved operational performance in the coming years.

CHAIRMAN'S MESSAGE

Despite business headwinds during the year in review, we managed to keep our revenue above the S$50.0 million milestone for a second consecutive year, achieving a topline of S$51.7 million.

This was heartening as it was done against a backdrop of a decelerating economy in Singapore, which grew 0.7% in 2019, its slowest rate since the Global Financial Crisis in 2008. Looking ahead, we expect to operate within another challenging year as COVID-19 continues to disrupt people's lives and businesses locally and globally in 2020.

In 2019, EQI posted a loss of S$1.7 million, echoing the overall subdued performance in Singapore insurance industry, with GIA reporting a loss of S$28.0 million in 2019, compared to a profit of S$36.3 million in 2018.

"We are moving away from non-core and less profitable business lines, doubling down on core and profitable business lines, while identifying complementary higher-value business lines, to repair our profitability."

Transitioning towards a more sustainable future

While the spread of COVID-19 on a global scale has shrouded the short-term future with increasing uncertainties, there were several positives for EQI to take away from 2019 to work towards a more sustainable future.

First and foremost, our underlying results improved slightly on the back of an aggressive clean-up of EQI's portfolio. However, our Claims Incurred (net) and Net Underwriting Profit is typically a function of the past two to three financial years, and hence, our portfolio recalibration and an accompanying improvement in underwriting results will only show up in the next few financial years.

Another by-product of our portfolio clean-up is that we are able to sharpen our business focus, thus creating a lean and nimble outfit capable of increasing our competitive advantage within our profitable and core business lines. Nevertheless, we remain committed to identifying new business opportunities that can complement our core and/or profitable lines, especially targeting higher value business in motor and medical policies.

We believe these efforts will ready EQI to benefit from any upturn in the market when it eventually arrives.

Tapping on digital solutions to remain relevant

EQI has to stay up-to-date with digital solutions to continue being relevant in the industry. We have methodically tackled this in recent years and are starting to see the results of our investments.

Today, having upgraded our internal digital infrastructure, we are in a good position to roll out digital solutions across the business value chain for our partner intermediaries, including agents, brokers, financial advisors, as well as for our employees. We will continue improving these systems in the future by adding more relevant digital solutions to arm our intermediaries and employees with the tools to succeed.

Ultimately, our digitalisation efforts will converge into improving efficiency and in diminishing underwriting costs on incremental business. At the same time, we also realise that people will continue to play an essential role in the insurance business. It is a blessing that the entire EQI team has come together to embrace this digital push and we continue to be committed to upskilling and grooming our people with up-to-date capabilities and to take up more responsibilities within the company.

Bracing for another challenging year ahead

Given the likely economic fallout from COVID-19, our primary responsibility is still to our partners and employees. To this end, we must focus on preserving jobs in the near term, by lowering costs and looking at business contingencies.

At the same time, we need to give similar attention to chiselling out an even more robust and lean business to springboard our growth. We are moving away from non-core and less profitable business lines, doubling down on core and profitable business lines, while identifying complementary higher-value business lines, to repair our profitability.

Despite the challenging outlook, we are using this downtime prudently – keeping busy to streamline and strengthen our underlying business so we are primed to benefit from any economic recovery.

Leow Tze Wen
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE

Singapore's economic growth slowed to 0.7% in 2019, compared to the 3.4% achieved in 2018, representing the slowest growth rate since 2008, during the Global Financial Crisis.

Against the backdrop of an economic slowdown, the general insurance industry expanded close to 8% to S$4.1 billion in 2019, while reversing into losses of S$28.0 million in 2019 compared to a profit of S$36.3 million in 2018.

We were similarly adversely affected, reporting a loss of S$1.7 million during the year. Despite this, we were still able to maintain GWP of S$51.7 million – above the S$50 million-mark in back-to-back years.

Singapore's Motor business grew by 1% to S$1.1 billion in 2019, which translated into a loss of S$17.4 million, compared to a profit of S$10.0 million in 2018. Motor, accounting for 36% of our topline was likewise impacted – posting a 20% decline in revenue to S$18.5 million.

Property & Casualty and Marine delivered a stable revenue of S$20.0 million in 2019. Revenue from Accident and Health, grew 19% to S$12.0 million in 2019.

Sharpening focus on our core portfolio

In 2019, we made a concerted effort to recalibrate our portfolio. One major exercise was to pare down focus from business lines that were non-core, less profitable or introduce risks we no longer want to cover. While this was not an easy decision, it allowed us to free up valuable human and capital resources and channel it into growing our core portfolio – where we have built up our expertise and have a competitive advantage in.

At the same time, we overhauled our Motor portfolio to better reflect the proportion of commercial and private vehicles on Singapore's road. We felt this was a necessary step as we wanted our risk exposure to be in line with the vehicle population in Singapore.

We also wanted to strengthen our property- and casualty-related portfolio to leverage on our deep expertise in the sector through our close working relationships with our partners honed over a decade. Our main advantage is that we have outfitted ourselves to be able to tailor solutions for our customers with a quick turnaround time while having the nimbleness to work on a variety of project sizes and scope.

Targeting higher value markets

During the year, we also innovated our policies, as well as targeted the higher-value market. At the tail-end of 2019, we enhanced our travel insurance product. While this was initially well-received in the market, the fall in travel demand – and hence demand for travel insurance – was hampered due to COVID-19 at the start of 2020 was beyond our control.

As part of ongoing efforts to adjust our Motor portfolio, we also intend to place greater emphasis on the high-end private car business and will actively engage producers we have built close working relationships with for this roll out when the opportunity arises.

We are also in the midst of launching a higher-value medical product to focus on expats and high net worth individuals. We believe there will be a market for such a product, especially as health-related topics have come to the fore in the current business environment.

This will allow us to continually offer more comprehensive and innovative solutions, as well as to reach out to existing customers and new customer bases. To kickstart this, we will be working closely with an exclusive partner, renowned for its worldwide servicing network.

As COVID-19 continues to put additional stress on the local healthcare infrastructure a potential opportunity may present itself in the form of higher demand from companies for more comprehensive employee healthcare benefits.

Seamless transitions for Work Injury Compensation policies

In September 2019, the Ministry of Manpower **("MOM")** announced new amendments to the Work Injury Compensation Act **("WICA")**, to be implemented by September 2020.

EQI fully backs industry efforts to enhance the protection for employees and provide certainty for employers, as well as ensuring faster and simpler claims processes for all parties, including affected workers. As such, we have spared no effort in readying ourselves to meet the new licensing framework to become a Designated WICA insurer.

As the new changes to the WICA will likely create a more homogeneous product in the market, we believe that there is a possibility to grow this business moving forward.

Firstly, we are committed to getting up-to-speed to industry requirements as early as possible to provide a seamless transition for our existing customers. As policy pricing will also be more uniform, we can effectively compete on our speed to provide quotations, our priority for human rather than automated touchpoints, and our reputation for swift claims processing.

Moving forward, there is going to be greater transparency in insurance requirements for employees, potentially narrowing the problem of underinsurance currently inherent in the industry.

Digitalising solutions for continued success

Investing to improve our digital solutions will help make life easier for our employees and intermediary to achieve sales and support our vision in time to come. In the past, we have worked tirelessly to digitise our back-end office, to ready EQI's adoption of new digital solutions. This has enabled us to recently launch our paperless system for the majority of our intermediaries.

Impacted by COVID-19's incremental safe distancing measures, our intermediaries have supported this initiative and transition has gone smoothly. While the timing of its implementation has been perfect, the initial reason we embarked on our paperless drive was to be a greener company and reduce physical policy storage requirements.

Working hand-in-hand with our paperless drive to store policy information, we have also invested in a Partners' Portal that will enable our intermediaries and even end-customers – in due time – to access the relevant policy documents. Complementing this, we have also implemented an affiliate system to enable the intermediaries' customers to complete transactions online.

We are also developing a CRM platform for our employees to readily access intermediary information through a one-stop platform. At the same time, we are currently working on improving our e-claims capability during the year.

Buckling down for an unpredictable 2020

Operationally, our extensive efforts have paid dividends in the form of improved underlying profitability for EQI. However, as there is a lagged effect from the time new policies are written to its performance showing up in the financial statement, this will only become more apparent in subsequent years to come.

Along with this positive, we also cannot ignore the unpredictable impact of COVID-19 on businesses in the coming year. While a steep downturn impacting 2020 is out of our control, we believe we are agile enough to keep our topline stable.

I also want to thank our intermediaries for their steadfast support and, at the same time, our loyal employees who have worked hard for EQI to achieve positive operational improvements on multiple fronts. Our people are the life blood of EQI, and we will continue to provide access to training and development opportunities for our employees, as well as grooming and to promote talent internally.

By buckling down and working together, I have every confidence that we will get through the current business pressures to emerge as a leaner and stronger insurer of choice.

John Fu
Chief Executive Officer

BOARD OF DIRECTORS

Leow Tze Wen
Chairman

Mr Leow Tze Wen started his career in investment banking in 1996, working with local and foreign companies such as OCBC and Merrill Lynch. He also worked with Guy Carpenter, a reinsurance broker in London before joining the Citystate Group Pte Ltd in 1998. In the last few years, he has been involved in the Group's insurance broking operations, and in 2011, Mr Leow was appointed Principal Officer of EQ Insurance. In addition, he presides as Group Chief Operating Officer of Citystate Capital Asia Pte Ltd, an investment company formed in 2009 with the sole purpose of developing a pan-Asian Insurance Group of companies.

Mr Leow is also Managing Director of the Citystate Group Pte Ltd. He is an Associate of the Chartered Insurance Institute and holds a BSc (Econs) and MSc (Econs) in Accounting and Finance from the London School of Economics, UK.

Phillip Tan
Director

Mr Phillip Tan is a fellow of the Institute of Singapore Chartered Accountants. He was a member of the leadership team in an international firm of accountants in Singapore and was the leader of the firm's Capital Markets practice till he retired on 30 June 2007. He has more than 25 years of auditing experience of insurance companies and has advised on a wide range of issues in relation to insurance companies, including cost reduction and reorganisations, mergers and acquisitions, and financial investigations. He was a former Chairman of the Insurance Committee of the Institute of Certified Public Accountants Singapore.

Mr Tan is active in community services and has received the following National Day Awards: the Public Service Medal, Public Service Star (Bar) and the Meritorious Service Medal.

Ng Tee Yen
Director

Mr Ng Tee Yen graduated with a Bachelor of Computer Science and a Bachelor of Engineering (Electrical and Electronic) from the University of Western Australia in 2002. He then worked as a software engineer in a startup company that was subsequently acquired twice, ending in acquisition by IBM. In 2009, he left to manage various family companies. He holds a Master of Business Administration from the University of Western Australia.

Ng Tee Chuan
Director

Mr Ng Tee Chuan has a Bachelor of Science (Computer Science) and a Bachelor of Engineering (Electronics) from the University of Western Australia, Australia. He also has a Master of Business Administration (Finance and IM) from the University of Western Australia. He was a practicing engineer for a few years before leaving the profession to manage the various family companies. Mr Ng is on the board of many diverse companies in Singapore, Malaysia, Indonesia, Australia, and the British Virgin Islands.

Freddie Sim
Director

Mr Freddie Sim has been working in the insurance industry since 1974, holding various senior positions in insurance companies in the Republic. He has served as the Principal Officer of EQ Insurance in 2010, prior to joining EQ Insurance, he was the General Manager and Principal Officer of GE Frankona Reinsurance. He has extensive experience in property underwriting both in Singapore and in the region.

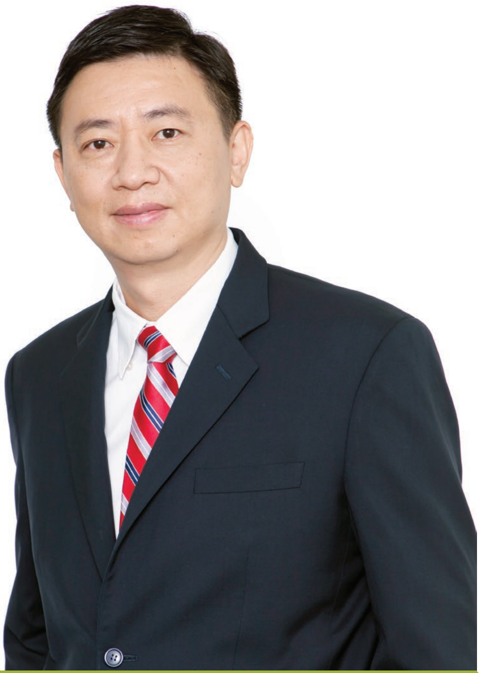
Mr Sim was an Associate of the Chartered Insurance Institute, UK, and an Associate member of the Institution of Fire Engineers, UK. He holds an MBA from the University of Leicester, UK.

Peter Ho
Director

Mr Peter Ho is a former civil servant. When he retired in 2010 after a career in the Public Service stretching more than 34 years, he was Head, Civil Service, concurrent with his other appointments of Permanent Secretary (Foreign Affairs), Permanent Secretary (National Security & Intelligence Coordination), and Permanent Secretary (Special Duties) in the Prime Minister's Office.

Mr Ho is now Senior Advisor to the Centre for Strategic Futures, and a Senior Fellow in the Civil Service College. He serves as chairman of various boards and councils, including the Urban Redevelopment Authority of Singapore. He is also a member of the Board of Trustees of the National University of Singapore, and a board member of the National Research Foundation.

MANAGEMENT TEAM



John Fu
Chief Executive Officer

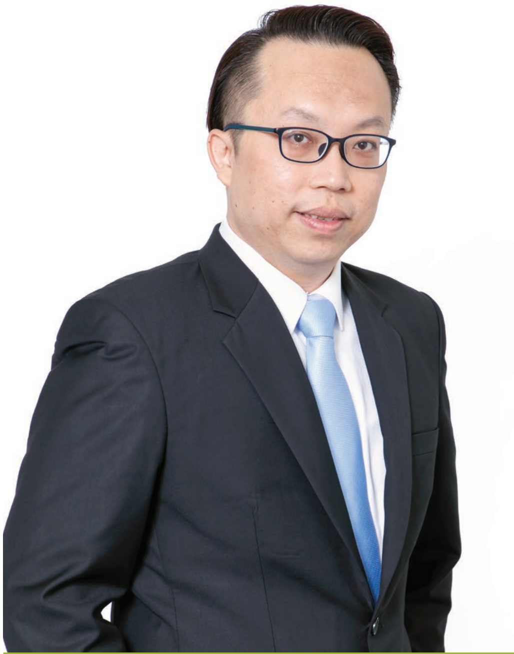
John has been the President & CEO for LMG Insurance Public Company (LMG) based in Thailand for the past 10 years. During the earlier years of his career, he worked for Liberty Mutual Insurance Group in their Corporate Develop Program for USA, UK, Brazil, China and Singapore. He was later based in Singapore and managed the personal lines business for Liberty Insurance Pte Ltd until leaving to run LMG. He has a Master degree in Business Administration from The Pennsylvania State University and completed the Insurance Executive Development Program at The Wharton School, University of Pennsylvania. He is also an accredited Chartered Property and Casualty Underwriter (CPCU).

Adam Tang
Deputy Chief Executive Officer

Adam started his insurance career in Malaysia and joined the Singapore insurance industry in 1989. He has had an illustrious career in General Insurance with both local and international insurance companies, contributing his experience in the areas of management, operations, marketing and underwriting. At EQI, he is responsible for the IT, Technical & Compliance and Distribution teams - engaging partners in corporate and services delivery functions through greater adoption of robust processes to meet our financial obligations and business targets. He holds a Bachelor of Science (Business Administration) from Oklahoma State University, USA.

Rina Tan
Group Financial Controller

Rina has held various positions covering responsibilities in Accounting, Finance, HR as well as IT functions in the general and reinsurance companies. She joined Citystate Group Pte Ltd in 1996 and was actively involved in the run-off of Equatorial Reinsurance (S) Ltd and its branch in Hong Kong. She was a member of the management team responsible for the formation of EQ Insurance in 2007. Rina is a member of The Institute of Singapore Chartered Accountants (CA) as well as a Fellow of the Association of the Chartered Certified Accountants (FCCA). She is also an Accredited Tax Practitioner (ATP) of Singapore Institute of Accredited Tax Professionals Limited. She oversees the accounting, business support, financial planning and analysis, internal audit and tax functions at EQ Insurance.



Chia Ka Wei
Senior Manager, Claims

Ka Wei holds a Master of Business Administration from Murdoch University, and is a Senior Associate member of ANZIIF, and a Fellow member of LOMA. He joined EQI in March 2019 and heads the Claims Department. Since joining EQI, he has been instrumental in reforming and putting in place new measures to drive the Claims Team forward. He and his team are charged with leading further enhancement initiatives to EQI's Claims Service Level.

BUSINESS OUTLOOK

As COVID-19 continues to impact businesses in Singapore and the global economy, the Ministry of Trade and Industry **("MTI")** announced that Singapore's GDP has contracted by 2.2% in the first quarter of 2020 and has downgraded growth forecast for the full year to -4.0% to -1.0%[1].

Nevertheless, with 13 years of operational experience behind us and after streamlining our portfolio, we are confident of navigating the testing year ahead of us.

During the year, we also doubled up on our competitive advantage in underwriting customised policies and providing a quicker turnaround for quotations for the Small and Medium-Sized Enterprises **("SME")** businesses.

These were just some strategies we have implemented that should pay dividends in the long-term, providing us with a sturdier foundation to build upon when the economy eventually turns.

Restructuring our Portfolio

During 2019, EQI strategically shifted resources to put greater emphasis on our core and profitable business lines, while cleaning up our portfolio of smaller, less profitable and/or riskier business lines.

While this was not an easy decision, we have already started benefitting from an improvement in our portfolio with an uptick in underlying profitability. We expect to continue reaping gains from an improving portfolio in the form of a better bottomline, even as topline may become pressured in the short-term.

Apart from this, we will also be looking into higher-value products targeting high net worth individuals, as well as improving existing products. This will allow us to continually offer a better and more comprehensive solution, and to tap on existing customers and new customer bases for more business. We will strive to work closely with our reinsurer partners for the best chance of success.

Motor

According to GIA, the vehicle population in Singapore was at its highest level since 2013, mainly due to a spike in private-hire cars. This also meant the motor sector was insuring a vehicle population with higher risk.

In order to reduce our risk profile and improve the segment going forward, we will continue to monitor and adjust our Motor portfolio, albeit in a market that will continue to be intensely competitive.

Property & Casualty

While the Building and Construction Authority **("BCA")** initially projected construction demand to remain strong in 2020, sentiments have weakened on the back of prolonged circuit breaker measures and imminent recession in Singapore and other major global economies. For us, we will continue to remain vigilant while being cautious on the upcoming projects to underwrite.

Our Property & Casualty segment delivered a stable performance in 2019, with S$20.0 million in GWP. We will continue to focus on projects that we have carved out a niche in, leveraging on the significant rapport we have built with our intermediaries.

With changes to the WICA policies effective from September 2020, we expect underinsurance in the industry to narrow with more transparent insurance requirements for workers. As policies wordings become more standardised, we will rely on our differentiating factors such as speed in providing quotations, human touchpoints for customers and speedy claims processing to grow our Work Injury Compensation business. We are confident that our established foothold in the industry will lend us an advantage.

Accident & Health

Outpacing the general inflation rate in Singapore, employer-provided medical benefit costs in Singapore are expected to jump by 10% in 2020.[3] This may be attributed to an increase in chronic conditions with long-term medical costs that also increases on a yearly basis.

With one of the world's highest life expectancies, Singapore also faces an ageing population, as well as an unhealthy lifestyle leading to a population with one of the highest proportions of population with diabetes among countries in Asia.[4]

Moreover, in 2020, COVID-19 will no doubt put an additional strain on the healthcare infrastructure in Singapore, which may potentially lead to higher costs as well. At the same time, there could be an uptick in demand for robust employee healthcare benefits.

Our Health portfolio grew 19% in 2019, on the back of robust underwriting growth in large corporate accounts. However, continuing pressure in our underlying profitability, has led us to recalibrate our portfolio to strike a better balance going forward.

Onboarding Technology to Improve Efficiencies

We will continue to keep up to date with technological advancement in the insurance business so as to stay relevant and deliver better quality service to our intermediaries and clients.

Each year, a concerted effort is made to improve various aspects of our operations by investing in new technology. To continue our digitisation push, we are working to implement a holistic CRM portal, which will help our employees better manage their workflow.

In the coming months, we will continue to improve our Partners' Portal by onboarding majority of the remaining products into this one-stop portal. This will ensure our intermediaries will always have convenience at their fingertips by allowing them to receive quotations, purchase of policies, view policy wordings and renew policies. Complementing this, we have introduced an affiliate sales – or a B2B2C – feature for intermediaries.

Meanwhile, we have also identified e-claims capability as an essential cog to improve our service standards. By simplifying and moving our claims processing online, we are able to save time for both our employees and customers, as well as offer a superior and consistent service standard. We have already started e-claims for our travel insurance and will continue to onboard more classes in the near future.

A silver lining of the COVID-19 pandemic is that businesses are now able to spare vital time and resources to review their internal operations and focus on improvements it otherwise may not have made. Recently, we were able to test our paperless systems, which has the potential to reduce up to 1.2 million printed pages annually as well as save on storage of physical policy documents. Adoption from our intermediaries have also accelerated on the back of incremental safe distancing measures by the government.

While the impact of COVID-19 has already dampened the economic landscape, as well as affected our business, we will work harder and dig deeper to ride out the tough times ahead. Even so, we remain hopeful that our portfolio recalibrating efforts will help to safeguard our topline, improve our bottomline and strengthen our long-term sustainability.

[1] Ministry of Trade and Industry press release – Singapore's GDP Contracted by 2.2 Per Cent in the First Quarter of 2020. MTI Downgrades 2020 GDP Growth Forecast to "-4.0 to -1.0 Per Cent" (26 March 2020)

[2] Building and Construction Authority press release – Singapore's construction demand for 2020 expected to remain strong (8 January 2020)

[3] Straits Times – Employer-provided medical costs in Singapore expected to rise by 10% in 2020: Report (20 September 2019)

[4] Health Hub – Diabetes in Singapore (12 November 2019)

EXTRACT FROM FINANCIAL REPORT

EQ Insurance Company Limited
Balance Sheet as at 31 December 2019

	2019 $	2018 $
Non-current assets		
Property and equipment	1,055,528	1,115,772
Investment securities	26,037,046	29,071,425
Reinsurers' share of insurance contract liabilities	12,492,289	12,638,348
Deferred tax assets - net	2,062,653	1,586,305
	41,647,516	44,411,850
Current assets		
Investment securities	11,816,022	10,856,507
Prepayments and deposits	461,228	473,008
Trade receivables	6,899,341	8,336,524
Amounts due from related companies	348,108	712,528
Other receivables	1,338,014	1,220,380
Cash, bank balances and deposits	73,871,327	73,702,139
Loans and receivables at amortised costs	82,456,790	83,971,571
	94,734,040	95,301,086
Current liabilities		
Trade payables	5,049,544	4,240,929
Amounts due to related companies	29,740	50,877
Other payables	3,134,798	3,443,881
Hire purchase payables at amortised costs	23,200	-
Financial liabilities carried at amortised costs	8,237,282	7,735,687
Net Current assets	86,496,758	87,565,399
Non-current liabilities		
Gross insurance contract liabilities	76,380,838	78,589,301
Contingency reserves	35,118	35,118
Hire purchase payables at amortised costs	77,333	-
	76,493,289	78,624,419
Net assets	51,650,985	53,352,830
Equity attributable to equity holder of the Company		
Share capital	45,700,000	45,700,000
Fair value reserve	28,012	46,944
Accumulated profit	5,922,973	7,605,886
Total equity	51,650,985	53,352,830

EXTRACT FROM FINANCIAL REPORT

EQ Insurance Company Limited
Statement of profit or loss For the financial year ended 31 December 2019

	2019 $	2018 $
Gross written premium	51,719,805	54,990,323
Reinsurers' share of gross premiums written	(4,434,845)	(5,218,717)
Gross change in reserve for unexpired risk- net of deferred acquisition cost	1,691,994	(3,118,839)
Reinsurers' share of gross change in reserve for unexpired risk-net of deferred acquisition cost	(380,881)	37,753
Net earned premium	48,596,073	46,690,520
Gross claims paid	(40,053,960)	(29,848,442)
Reinsurers' share of gross claims paid	4,316,866	2,297,756
Gross change in loss reserves	513,019	4,222,409
Reinsurers' share of gross change in loss reserves	234,822	3,114,543
Net claims incurred	(34,989,253)	(28,658,552)
Commission expense	(8,758,646)	(9,773,697)
Commission income	729,514	819,921
Net commission	(8,029,132)	(8,953,776)
Other underwriting expenses	(1,577,130)	(2,100,969)
Underwriting profit from direct general insurance	4,000,558	6,977,223
Net underwriting results from reinsurance business (in run off)	3,451	-
Investment and other income	4,365,852	1,474,075
Other operating expenses	(10,525,244)	(10,455,182)
Loss before tax	(2,155,383)	(2,003,884)
Taxation	472,470	463,349
Loss for the year	(1,682,913)	(1,540,535)

EXTRACT FROM FINANCIAL REPORT

EQ Insurance Company Limited
Statement of comprehensive income For the financial year ended 31 December 2019

	2019 $	2018 $
Loss for the year	(1,682,913)	(1,540,535)
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Changes in value of available-for-sale financial assets:		
Net fair value losses on available-for-sale financial assets	(22,810)	(127,030)
Income tax relating to components of other comprehensive income	3,878	21,596
Other comprehensive loss for the year, net of tax	(18,932)	(105,434)
Total comprehensive loss for the year	(1,701,845)	(1,645,969)

You're Got a Friend

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