eqinsurance

You've Got a Friend

EMBRACING A DIGITAL FUTURE

ANNUAL REPORT 2020

CONTENTS

ABOUT US

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.

BUSINESS OVERVIEW

In 2020, Singapore entered its deepest recession on record, with the local economy shrinking over 5%.[1] Business uncertainty was at a high as many industries were brought to their knees due to border restrictions and safe management measures – including the nearly two month-long Circuit Breaker – attributed to COVID-19.

This was the business landscape EQ Insurance ("**EQI**") was working in during 2020. Nevertheless, we turned in a stable gross written premium ("**GWP**") of S$49.1 million, which was 5% lower than the preceding year.

Despite the challenging backdrop, our profitability reversed to S$4.6 million from a loss of S$1.7 million in 2019. More pertinently, our underwriting results took a big step forward, progressing 229% to S$13.2 million in 2020 from S$4.0 million last year.

Property, Casualty and Marine

In 2020, the General Insurance Association of Singapore ("**GIA**") reported a 10% increase in GWP for property insurance to S$591.8 million. At the same time, underwriting profit rose to S$43.7 million, reversing from a loss of S$4.0 million.

Our Property and Casualty portfolio forms our largest business segment. In 2020, GWP for the segment rose 9% to S$21.5 million.

Our Work Injury Compensation business line contributed to 57% of our Property and Casualty portfolio in 2020. During the year, this business line grew 15% to S$12.5 million, due to amendments to the Work Injury Compensation Act ("**WICA**") in 2020, which made insurance requirements more transparent and policy conditions more uniformed.

On the back of hardening rates in the industry, our Fire and Public Liability business lines also grew 19% and 16% to S$2.1 million and S$2.0 million respectively. Meanwhile our Maid Insurance portfolio declined 24% to S$0.8 million due to a drop in foreign domestic helpers working in Singapore.

The marine hull insurance and cargo insurance businesses experienced diverging success in 2020. The marine hull industry rose 14% to S$185.7 million, and turned in a profitable year for the first time in 5 years, to S$7.1 million. However, cargo insurance declined 7% to S$93.5 million and also experienced a marginal dip in underwriting profit to S$16.1 million in 2020, compared to S$17.3 million in 2019.

Our Marine portfolio declined slightly by 4% to S$1.0 million in 2020. Within the segment, our Marine Cargo business dropped 13% while our Marine Hull business line improved as we executed on our plans during the year.

Motor

The overall motor insurance industry grew nearly 1% to S$1.1 billion in 2020. Underwriting profits during the segment also grew to S$104.5 million, compared to a loss of S$17.4 million in the preceding year.

Revenue from our Motor segment added up to S$17.9 million, making up 36% of our total GWP in 2020. Overall, this was a 3% decline from 2019. Underwriting profit for our Motor portfolio improved mainly because there were less cars on the road due to Circuit Breaker and the work-from-home arrangements in the early part of 2020. However, we do not expect this to continue into 2021 as the situation starts to normalise with the easing of safe management measures.

Throughout the year, we also continued to fine-tune our commercial motor portfolio by revising our rate. This was in response to deteriorating loss ratio in the industry. As expected, we lost market share of this riskier business, translating into a 23% decline in our commercial motor portfolio.

In 2020, we experienced a healthy 20% growth in our private motor portfolio as we actively engaged producers who are predominantly stronger in this business line.

MOTOR (PRIVATE)
+20%

FIRE INSURANCE
+19%

WORK INJURY COMPENSATION
+15%

1. Ministry of Trade and Industry (MTI) – MTI Maintains 2021 GDP Growth Forecast at "4.0 to 6.0 Per Cent" (15 February 2021)

Accident & Health

Within the general insurance industry in Singapore, health insurance grew about 4% to S$692.7 million in 2020. Profitability in the segment also improved to S$17.9 million from a loss of S$11.2 million in 2019.

Simultaneously, personal accident insurance in Singapore saw a 5% dip in GWP to S$167.9 million in 2020. Despite the dip in GWP, underwriting profits jumped to S$28.1 million, from S$17.2 million.

Our Accident & Health portfolio endured a trying year, declining 28% to report a GWP of S$8.6 million.

This segment was greatly impacted by Singapore's measures that dealt with the COVID-19 pandemic, resulting in border restrictions for foreign workers and foreign domestic helpers, as well as the evaporation in demand for travel insurance during the year.

Coupled with softening rates due to intense competition, this also caused our GWP for Foreign Worker Medical to drop 13% to S$4.5 million during 2020.

Our Travel portfolio slumped 84% to S$0.2 million in 2020, from S$1.0 million in 2019. This was in line with the 73% plunge in travel insurance premiums within the industry.

Exceeding industry profit in 2020

The overall general insurance industry recorded a marginal dip in GWP to S$4.1 billion. Meanwhile, industry-wide bottomline also improved with underwriting profit of S$237.3 million, compared to a loss of S$28.0 million in 2019.

EQI delivered a performance that resembled the overall general insurance industry outcome – with a slightly lower topline and a turnaround to profitability in our bottomline. Notwithstanding this, we also enjoyed an improvement in profit levels that surpassed the industry standards by nearly three-folds. The major contributing factor to this spectacular performance was the team's judicious portfolio management over recent years.

As stewards of our company, we are able, and prepared, to take hard decisions to ensure the long-term success of EQI. To this end, we concentrated our efforts on more profitable business lines, while deprioritising riskier business. Even as this bolstered our bottomline, it came at a painful cost to our topline, with revenue dipping for a second year in a row and coming in at under our previously-achieved S$50 million revenue mark.

This proves that our strategy has worked out, and we are now on the right path to build upon a solid foundation.

CHAIRMAN'S MESSAGE

"WHILE PENNING MY MESSAGE LAST YEAR, EQI WAS ALREADY PREPARING FOR A CHALLENGING YEAR DUE TO THE ESCALATING COVID-19 SITUATION. THIS PROMPTED US TO TAKE ACTION EARLIER, FIGHT HARDER FOR BUSINESS AND CLOSELY WATCH OUR COSTS."

While no one could have predicted how 2020 played out, we were in a good shape to manage the pandemic. Over the past several years, we have spent enormous efforts to digitalise our operational processes and prune our policy portfolio. Fortunately for us, a significant part of EQI's portfolio consists of statutory classes of insurance – which was not as adversely affected during the downturn.

We reported a stable GWP of S$49.1 million in 2020. While our topline dipped 5% from 2019, it was a result of our ongoing efforts to strategically shift to a higher quality portfolio rather than because of the current economic downturn. On the back of this, EQI posted a profit of S$4.6 million in 2020, a significant reversal from the S$1.7 million loss we reported in 2019.

What is of greater importance is that our underwriting profit soared to S$13.2 million in 2020 from S$4.0 million in 2019.

In general, our results also mimicked the overall general insurance industry in Singapore, which posted a slight dip in GWP in the industry to S$4.1 billion in 2020 with an underwriting profit of S$273.3 million in 2020 from a loss of S$28.0 million in 2019.

LEOW TZE WEN
Chairman

Actively managing the COVID-19 pandemic

In 2020, Singapore's economy endured its worst economic contraction on record, shrinking more than 5%. Unemployment figures also rose to its highest since the Global Financial Crisis over a decade ago. This happened despite the Singapore government spending an unprecedented close to S$100 billion to support the local economy.

To restrict the spread of COVID-19, strict safe management measures were enforced, sending almost half of employees to work-from-home.[1]

We implemented our work-from-home initiatives a month earlier, before the Circuit Breaker started in Singapore. This gave us and our employees more time to adjust to a fully work-from-home arrangement during the Circuit Breaker.

To help employees better adjust, we provided an allowance to offset their increased work-from-home expenses, such as utilities and other bills.

During this time, we also had a handful of employees who were commuting to Singapore daily and were unable to return due to border restrictions. Due to our work-from-home adjustment period and digital capabilities, fortunately, they were able to work remotely with no drop in productivity.

This is a promising sign, and EQI will likely keep some forms of work-from-home arrangement going forward.

Improving our profitability

Some of our core business lines such as Motor, Work Injury Compensation and Foreign Worker Medical are statutory classes of insurance. They sheltered EQI from the worst of COVID-19 as businesses are required to purchase these mandatory insurance coverage.

Over the years, we have also actively pruned our portfolio of policies and managed our risk appetite accordingly. We don't want to just fight for more business only to see our loss ratio widening. At the same time, concentrating our efforts to selective but more profitable business lines has led to lower loss ratio and greater economies of scale.

At the end of 2020, the total number of policies under all our business lines shrunk 26% compared to 2019. Despite this, our GWP still maintained at S$49.1 million.

Our improved portfolio composition has also yield better profitability. In 2020, we achieved a net profit of S$4.6 million, even higher than our projections during the start of the year – without taking COVID-19 into consideration. What was even more heartening was that our underwriting profit rose to its highest level in the past five years, at S$13.2 million in 2020.

While part of this can be attributed to the strategic improvements in our portfolio, claims were also generally more favourable in 2020. Some reasons included that many businesses in the construction sector halted operations, there were also less cars on the road during Circuit Breaker and, lastly, work-from-home arrangements. Notwithstanding this, we are geared for the loss ratio to normalise in 2021.

Priming for the future

We are also looking to stay ahead of industry trends. One major trend underscored by the pandemic is the requirement to digitalise.

This is something we have been doing for a few years now, and our IT and security systems have enabled our people to remain equally productive from home. Our partners portal for our intermediary also saw a spike in usage since COVID-19, and we hope to keep improving it to better serve them.

The majority of the claims submission process have already been digitalised. We are also in the midst of implementing our Customer Relationship Management ("**CRM**") tool to ease the workflow for our partners.

Concurrently, we are also looking into new markets that are complementary to our core portfolio. One opportunity lies in the high-performance vehicle segment. We are also studying higher-end complementary products for the health and travel segments.

Despite a respectable set of results in 2020, we are not resting on our laurels. As we look to the post-COVID-19 world, we believe we are primed for growth. We will continue to build on a foundation of higher quality portfolio, leverage on years of digitalisation experience to engage and serve our intermediaries and by penetrating new complementary business lines. Most importantly, we are also staffed with dedicated and resourceful people who are adaptive and dedicated to their trade.

Leow Tze Wen
Chairman

1. Ministry of Manpower (MOM) – Labour Force in Singapore Advanced Release 2020 (3 December 2020)

CHIEF EXECUTIVE OFFICER'S MESSAGE

"BY THE END OF 2020, THE SINGAPORE ECONOMY HAD CONTRACTED OVER 5%, ITS SHARPEST YEARLY RECESSION ON RECORD. WHILE THE SITUATION IS GRADUALLY IMPROVING, EVEN AS WE ENTER THE SECOND QUARTER OF 2021, UNCERTAINTIES REMAIN DUE TO THE ONGOING COVID-19 PANDEMIC."

Like all other businesses, EQI operated in unchartered territory for most of 2020. Despite this, we were still able to achieve a commendable GWP of S$49.1 million.

Leveraging on our operational prudence over the past years, our profitability rose to S$4.6 million, compared to a loss of S$1.7 million the year before. This was ahead of the improvements reported in the general insurance industry.

Review of our business lines

In 2020, the GIA reported a stable industry-wide GWP of S$4.1 billion, which was just 0.2% lower than 2019. Underwriting profits reversing to S$237.3 million from a loss of S$28.0 million in 2019.

EQI's performance ran in parallel to this, with topline shrinking marginally to S$49.1 million, while our net underwriting profit surged to S$13.2 million from S$4.0 million in 2019.

Our biggest business segment, Property & Casualty, accounted for 44%, or S$21.5 million, of our GWP in 2020. Within this segment, our Work Injury Compensation business grew 15% to S$12.5 million, outpacing the growth recorded by other players in the market. This was mainly due to the recent amendments to WICA which uplifted rates to be in line with the industry. We also grew our Fire insurance business by 19% in 2020, and are working to continue growing this business line. However, our Marine portfolio declined 4%, primarily because of a drop in Marine Cargo business, mitigated by improvements in our Marine Hull business.

Representing 36% of total GWP, our Motor portfolio is our next largest segment. In 2020, our Motor portfolio shrunk 3% to S$17.9 million. This is attributed to our ongoing efforts in revising our rates to be in line with the market. As a result, we will likely lose some market share within this competitive business line. In our private motor business, we saw a better loss ratio as fewer cars were on the road due to work-from-home arrangements. We will continue to engage more specialist producers in the segment to expand our private motor business.

Our Accident and Health segment dropped 28% to S$8.6 million in 2020. This was largely due to the impact of COVID-19 on our health and travel policies. Our Foreign Worker Medical business line also declined 13% due to border restrictions. Similarly, our Travel business grounded to a standstill after the initial months of 2020. Nevertheless, we remain optimistic that travel insurance demand will pick up once borders reopen.

Strategically enhancing our business

Our profitability turnaround in 2020 outperformed the general insurance industry by close to three times. This was underpinned by several factors during the year.

First, we have been working hard to improve the composition of our portfolio for a few years now. While our portfolio was gradually improving, there was a lag effect on our financial results in the past two years. We are now seeing the fruits of this labour as our profitability has turned around.

Our efforts to uplift the quality of our portfolio has also resulted in a 26% decline in the number of policies we wrote in 2020 as compared to 2019. This will allow us to build an edge in the segments we want to compete in and, gradually, our people will hone deeper expertise in these business lines. Even as we continue to reduce our exposure to less profitable and higher-risk lines of business, the intention is to win a bigger market share within our core business lines.

From this firm base, we plan to penetrate into complementary higher-valued segments. We have shortlisted products for this purpose and hope to deliver positive news on this front soon. Another area that we are targeting is to service the insurance needs of growing startups.

Our digitalisation programme, which we have been investing our resources, time and money for several years, has given us the ability to provide better and faster service to our intermediaries. Work-from-home arrangements in 2020 and which are still in place today, proves our digitalisation drive is no longer just a commitment to better engage our partners or for the environment – it is a pivotal cog in our ability to continue running our business. We are not letting up in this area, and are on-course to introduce our CRM portal for our employees and intermediaries, while eventually making it available to end-consumers.

As much as digitalisation is important, our people need to be ready for it. This means having both an open mindset and deep knowledge in digital tools that are available. We made use of the slight downtime during COVID-19 to send our staff for training in digitalisation, robotics and Artificial Intelligence.

Remaining resilient

We are a small and nimble outfit. While this allows us to work fast, there is also a big risk that we can become irrelevant faster if we don't stay ahead with the time. As we currently only serve a fraction of the entire market, we are confident that we will be able to keep our topline stable, and even grow it despite the slowdown.

We have worked hard to build a resilient business, as evidenced by the improved quality of our portfolio and bottomline. Our people are also primed for the new normal with the right knowledge and tools made available. This alone may not be enough, so we are equipping them with more relevant skills in digitalisation, cybersecurity, data and learning agility. We also need to continually provide training opportunities to groom our people and reward good performance to thrust the business forward.

To better engage our intermediaries, we need to think of solutions that will put them in an advantageous position and build closer working relationships. This is how our digitalisation drive works – to put our people and partners in a superior position to win new business. For example, partners who are traditionally more reliant on face-to-face interactions for business can leverage on EQI's digital tools to pivot their strategies to close more business.

Even as we work towards making EQI a more resilient company, unseen challenges still linger due to the ongoing pandemic. Nevertheless, I am confident – as evidenced by how our team worked through COVID-19 challenges – that we will be able to overcome this together.

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 capital and insurance market practices 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 from 1974 till his retirement in 2016, holding various senior positions in insurance and reinsurance companies in the Republic. He held the position of Principal Officer of EQ Insurance in 2010, and 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 Fu joined EQ Insurance in January 2019. Prior to his appointment as CEO in EQ Insurance, he was the President & CEO for LMG Insurance Public Company based in Thailand. During the earlier years of his career, he worked for Liberty Mutual Insurance Group. 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 Tang 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 EQ Insurance, 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 Tan 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

Chia 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 EQ Insurance in March 2019 and heads the Claims Department. Since joining EQ Insurance, 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 EQ Insurance's Claims Service Level.

BUSINESS OUTLOOK

2020 was a period of great uncertainty. It did not just culminate in a global economic recession, but it also had an impact on the health and well-being of each individual.

More than a year on, we are still seeing the effects of the pandemic in our daily lives. Even as vaccination efforts are underway in Singapore, we cannot take it for granted that we are out of the woods.

In fact, lingering effects from the pandemic will most likely continue to burden certain industries for years to come, and in some form, it may permanently change the face of how we go about our daily lives.

Fortunately, Singapore is in a good position to overcome these challenges. While Singapore's economy shrunk a record 5% in 2020, the Ministry of Trade and Industry ("**MTI**") is forecasting the economy to rebound between 4% to 6% in 2021.

Adjusting our business portfolio for long-term sustainability

One advantage for us is that a large part of our business portfolio consists of statutory classes of insurance. In 2020, this shielded our topline from the business segments that fared poorly.

Nevertheless, we have been consistently restructuring our portfolio for better profitability with a view to longer-term sustainability. While our underlying results were improving, it was only evident in 2020 as our net underwriting profit depicted the results of this labour. We turned around to report a profit of S$4.6 million from a loss of S$1.7 million in 2019.

This proves that we were right in making hard decisions over the years to forego certain business lines and redeploying resources that allowed us to benefit from economies of scale and broadening our staff's expertise in writing classes of insurance that we want to compete in.

By streamlining our focus, we are also able to develop deeper working relationships with our customers. This will enable us to sell complementary classes of insurance to them in future.

Even though there is intense competition and demand may be adversely affected the longer COVID-19 remains a global concern, we are committed to stay on course in the foreseeable future. In fact, this will only spur us to continue taking a long-term approach in trimming unprofitable business lines, even at the cost of nearer-term topline growth.

Even though our market share is relatively small, our nimbleness allows us to compete for a sufficient slice of the market in a downturn.

Property, Casualty and Marine

The Building and Construction Authority ("**BCA**") has projected the total construction demand in 2021 to range between S$23 billion to S$28 billion. This is an improvement on the S$21.3 billion which was estimated in 2020. While this is a piece of positive news,

any change in the status of managing COVID-19 will adversely affect the sector. The fluid nature of managing the pandemic has already seen several setbacks, and we must not become complacent even as we gear up for the future.

We saw a healthy growth of 15% in our Work Injury Compensation business. This was three times higher than the average industry growth rate for the business line. In general, Work Injury Compensation policies are now homogeneous. Our strategy will be to differentiate ourselves by providing quick turnaround for service, quotations and claims. As amendments to the WICA only came into effect at the tail-end of 2020 and we have attained our licence as a WICA insurance provider in 2021, we foresee being able to grow this business line.

Motor

Motor remains the largest business in Singapore general insurance industry, accounting for more than a quarter of the GWP reported by the GIA. For EQI, this is also an important business segment for us.

While we saw an improvement in our profitability for our motor business segment in 2020, this was largely because they were fewer cars on the road due to the imposed Circuit-Breaker and work-from-home measures. As safe management measures are gradually lifted, we foresee profitability reverting to industry norms in 2021.

Our Motor portfolio is also one of the key components we are currently recalibrating. Within the commercial motor business line, we are working to uplift our rates to narrow our loss ratio. On the other hand, we are actively pursuing collaborations with strategic partners for our private motor business.

Accident & Health

Employer-sponsored healthcare benefit costs are expected to increase by 8.2%[1] in 2021. Healthcare-related inflation typically outpaces the general inflation rate in Singapore – which experienced a marginal deflation rate in 2020.

Going forward, Health is a segment we will continue to keep a keen eye out for, especially as we have plans in the works to introduce new products to suit evolving market needs.

We will also monitor our Personal Accident and Foreign Worker Medical business lines closely as the industry rates are softening. This could lead to shedding businesses that are unprofitable.

Our Travel portfolio is at a virtual standstill, but we are hopeful that demand will rebound once international borders open up. To improve our travel product, we have also been working to introduce COVID-19 coverage to complement our existing policy when travel restarts.

Gaining momentum in our digitalisation drive

If anything, COVID-19 has reiterated the need for businesses to adopt digital solutions. Having invested heavily over the years in our digital drive, we benefitted from being able to continue working from home while maintaining the same level of productivity.

As such, we will continue to devote more resources into building on our digital assets to raise internal productivity as well as enable our intermediaries to rely on us for speedy and reliable assistance. Our intermediaries – agents, brokers and financial advisors – are cornerstone to our success, and we must constantly find better ways to provide dependable and friendly digital support.

Towards this end, there are ongoing efforts to add new features to our Partners' Portal for our intermediaries. We hope that our employees, intermediaries and, eventually, our end-consumers will be able to enjoy the benefits of our digital solutions.

We need to also equip our people and partners to take full advantage of our digitalisation initiatives. As such, we will continue to provide relevant training to ensure our employees and partners are able to progress with us to keep up with the times.

1. Insurance Business Asia – APAC health benefit costs to rise 8.5% next year – WTW (15 October 2020)

EXTRACT FROM FINANCIAL REPORT

EQ Insurance Company Limited
Balance Sheet as at 31 December 2020

	2020 $	2019 $
Non-current assets		
Property and equipment	**858,714**	1,055,528
Right-of-use assets	**1,515,634**	-
Investment securities	**18,756,857**	26,037,046
Reinsurers' share of insurance contract liabilities	**11,933,946**	12,492,289
Deferred tax assets - net	**1,378,996**	2,062,653
	34,444,147	41,647,516
Current assets		
Investment securities	**11,557,525**	11,816,022
Prepayments and deposits	**484,615**	461,228
Trade receivables	**7,084,045**	6,899,341
Amounts due from related companies	**162,467**	348,108
Other receivables	**1,064,477**	1,338,014
Cash, bank balances and deposits	**86,165,746**	73,871,327
Loans and receivables at amortised costs	**94,476,735**	82,456,790
	106,518,875	94,734,040
Current liabilities		
Trade payables	**8,140,124**	5,049,544
Amounts due to related companies	**45,317**	29,740
Other payables	**4,153,424**	3,134,798
Lease liabilities	**645,235**	-
Hire purchase payables at amortised costs	**23,200**	23,200
Financial liabilities carried at amortised costs	**13,007,300**	8,237,282
Net Current assets	**93,511,575**	86,496,758
Non-current liabilities		
Gross insurance contract liabilities	**72,156,780**	76,380,838
Contingency reserves	**35,118**	35,118
Lease liabilities	**880,257**	-
Hire purchase payables at amortised costs	**54,133**	77,333
	73,126,288	76,493,289
Net assets	**54,829,434**	51,650,985
Equity attributable to equity holder of the Company		
Share capital	**45,700,000**	45,700,000
Fair value reserve	**2,800**	28,012
Accumulated profit	**9,126,634**	5,922,973
Total equity	**54,829,434**	**51,650,985**

EXTRACT FROM FINANCIAL REPORT

EQ Insurance Company Limited
Statement of Profit or Loss for the Financial Year ended 31 December 2020

	2020 $	2019 $
Gross written premium	**49,056,427**	51,719,805
Reinsurers' share of gross premiums written	**(4,467,110)**	(4,434,845)
Gross change in reserve for unexpired risk- net of deferred acquisition cost	**(972,160)**	(1,691,994)
Reinsurers' share of gross change in reserve for unexpired risk-net of deferred acquisition cost	**110,917**	(380,881)
Net earned premium	**43,728,074**	48,596,073
Gross claims paid	**(27,207,983)**	(40,053,960)
Reinsurers' share of gross claims paid	**935,856**	4,316,866
Gross change in loss reserves	**5,195,281**	513,019
Reinsurers' share of gross change in loss reserves	**(669,260)**	234,822
Net claims incurred	**(21,746,106)**	(34,989,253)
Commission expense	**(8,067,216)**	(8,758,646)
Commission income	**837,153**	729,514
Net commission	**(7,230,063)**	(8,029,132)
Other underwriting expenses	**(1,578,787)**	(1,577,130)
Underwriting profit from direct general insurance	**13,173,118**	4,000,558
Net underwriting results from reinsurance business (in run off)	**937**	3,451
Investment and other income	**2,657,585**	4,365,852
Other operating expenses	**(10,589,159)**	(10,525,244)
Profit /(loss) before tax	**5,242,481**	(2,155,383)
Taxation	**(688,820)**	472,470
Profit /(loss) for the year	**4,553,661**	(1,682,913)

EXTRACT FROM FINANCIAL REPORT

EQ Insurance Company Limited
Statement of Comprehensive Income for the Financial Year ended 31 December 2020

	2020 $	2019 $
Profit/(loss) for the year	**4,553,661**	(1,682,913)
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	**(30,375)**	(22,810)
Income tax relating to components of other comprehensive income	**5,163**	3,878
Other comprehensive loss for the year, net of tax	**(25,212)**	(18,932)
Total comprehensive income/(loss) for the year	**4,528,449**	(1,701,845)

eqinsurance
You've Got a Friend

EQ INSURANCE COMPANY LIMITED
5 Maxwell Road, #17-00 Tower Block
MND Complex, Singapore 069110
T: 65 6223 9433 | F: 65 6224 3903
www.eqinsurance.com.sg
(Co. Regn. 1978-00490-N)

A Member of Citystate