eqinsurance
You've Got a Friend

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A Member of Citystate

ANNUAL **REPORT** 2021

PAVING THE WAY FOR **FUTURE GROWTH**

eqinsurance
You've Got a Friend

CONTENTS

ABOUT US

EQ Insurance Company Limited is a homegrown general insurance provider.

Set up in February 2007, it built upon the initial insurance success in the construction-related sector, setting it up to expand in its dealings with individuals, families and SMEs for diverse personal and commercial insurance needs within the motor, property, casualty, accident, health and marine sectors.

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

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

VISION

To deliver quality insurance solutions to consumers and SME businesses with an engaged and skilled workforce that delivers superior service, adds value to our shareholders and contributes to the community.

MISSION

Underwrite a profitable portfolio of non-life insurance business; develop a team of competent 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

Singapore's economy staged a strong recovery in 2021, expanding 7.6% compared to a 4.1% contraction in FY2020.[1] This was a result of the measured response by the Singapore Government to gradually lift various safe management measures ("**SMMs**").

Bit by bit, Singapore re-opened for business. Even though a considerable percentage of our portfolio are statutory requirements, this had a positive impact on the business and morale. A prolonged downturn would have inevitably impacted the industry.

POSTING A RECORD GROSS WRITTEN PREMIUM

We have been judiciously managing our portfolio for a number of years, and are now close to the mix we have been planning for. Doing this initially impeded our topline as we shedded business lines that were either smaller, riskier or unprofitable. Nevertheless, it also freed up internal resources to compete more aggressively in our core business lines.

This strategy has yielded the intended results, growing our gross written premium ("**GWP**") by 13% to S$55.5 million in 2021. Giving everyone an added wind in our sails, this is also a record GWP for EQ Insurance ("**EQI**"). Our GWP improvement also exceeded the general insurance industry.

Overall, our profit for the year was S$4.3 million in 2021. Diving deeper into our profitability, our loss ratio has also improved, highlighting the upgraded quality of our current portfolio as compared to the past.

PROPERTY & CASUALTY AND MARINE

Property Insurance accounted for 16% of the GWP in Singapore's general insurance industry.

The General Insurance Association of Singapore ("**GIA**") reported a 21% increase in Property Insurance to S$715.4 million, while underwriting profit dipped 4% to S$42.0 million in 2021.

In contrast, the Property & Casualty business contributed 49% of our total GWP in 2021. This came on the back of a 31% increase to S$27.1 million during the year.

The Work Injury Compensation portfolio formed 56% of our total Property & Casualty segment in 2021. In the last two financial years, we have put in even more effort to nurture this business line as the Government has mandated better protection for both local and foreign employees in Singapore through the Work Injury Compensation Act ("**WICA**").

Two things have transpired because of this. First, premiums have hardened due to the enhanced coverage. Secondly, underinsurance of workers have reduced in the industry due to greater transparency in coverage. As a result, our GWP rose 23% to S$15.3 million in the latest financial year.

Another benefit for us is that sub-contractors in the construction industry now have to purchase WICA insurance for their workers as well. In the past, they could rely on the main contractor for their projects to provide insurance coverage on their behalf. This presented a unique opportunity for us to tap on an expanded pool of SME clients to beef up this business line.

Consistent with our overall strategy to focus on our SME portfolio, our Fire and Engineering portfolio grew 23% to S$2.6 million and 54% to S$2.6 million in 2021 respectively. In addition, our Bonds business also spiked to S$4.0 million during the financial year, growing a healthy 132% compared to 2020.

Our Marine Cargo and Marine Hull businesses were buoyed in 2021, delivering a 28% improvement to S$1.3 million. One reason for this growth was our intentional plan to actively engage intermediaries that have a forte in this niche market.

[1] Ministry of Trade and Industry ("MTI"): MTI Maintains 2022 GDP Growth Forecast at "3.0 to 5.0 per cent" – 17 Feb 2022

MOTOR

As the largest segment in Singapore's general insurance industry, Motor owns 26% of the overall gross premiums, amounting to S$1.2 billion in 2021. During the year, underwriting profit in the industry fell 52% to S$49.7 million. In general, this was mainly due to more road activities resuming in 2021, after they were halted due to SMMs in 2020. This was not surprising as the Motor industry had been reporting thin profit margins or losses in prior years leading up to 2020 – reporting a loss of S$17.4 million in 2019; profit of S$10.0 million in 2018; and loss of S$27.2 million in 2017.

Our Motor portfolio has undergone a significant facelift in the past five years – when we were just embarking on our strategy to readjust our portfolio. Back in 2017, Motor comprised our largest segment or 44% of our business, delivering S$19.3 million in gross premiums. In the latest financial year, our Motor portfolio is nearer our desired mid- to long-term portfolio mix, comprising 34% of our GWP.

During the year, we further pared down our commercial motor business by 5% to S$7.5 million after having to re-assess risks for several underperforming fleet business. Our private motor business saw an 11% uptick to S$11.3 million. In essence, we have not detracted from our initial strategy to trim unwanted risks in this business line. Rather, it was always in our plans to further grow the Motor business by penetrating the luxury vehicle market.

ACCIDENT & HEALTH

Raking in 8% more premiums to S$746.5 million in 2021, the general health insurance industry is the second largest overall. During the year, the segment reverted to a loss of S$5.1 million, after delivering an underwriting profit of S$17.9 million in 2020. Again, this is not surprising as the segment had been battling with losses in the years prior to 2020 – losing S$11.2 million, S$44.2 million and S$28.0 million in FY2019, FY2018 and FY2017 respectively.

Our Health portfolio, comprising our Foreign Worker Medical and Health business lines, dipped 12% to S$6.2 million in 2021. This was due to a 26% reduction in our Foreign Worker Medical business, and offset by a 5% gain in Health business line, during the year.

In 2021, our Maid Insurance business improved 4% to S$0.8 million. This is a one-off event owing to a pent-up demand to bring foreign domestic helpers into Singapore following border re-opening measures.

A one-off mandatory 14-day SHN cover for foreign workers and foreign domestic workers in 2021 supported the growth in our Health and Maid Insurance business line.

In general, it was within our overall strategy to reduce exposure to these business lines as the loss ratio within the entire industry had been spiralling in an unsustainable manner.

In addition, our Personal Accident portfolio dropped 10% to S$1.0 million, mainly because of softening industry rates.

On the other hand, demand for our travel insurance product diminished in 2021. This was a stark contrast to our pre-pandemic performance, when we turned in a GWP of S$1.0 million in FY2019.

OVERALL PERFORMANCE OF OUR BUSINESS LINES

In tandem with achieving a record GWP, many of our key business lines reported better performance in 2021. More importantly, these are the business lines we have intentionally worked to grow in the preceeding years. Among business lines that shrank, majority were part of our proactive strategy to reduce exposure and improve the quality of risk in the first place.

Overall, we are encouraged by the fact that EQI's portfolio quality is not far from our intended portfolio mix when we embarked on the strategy to prune our portfolio several years ago.

Despite a positive financial performance during 2021, we recognise that we still only represent a fraction of the entire general insurance industry. This means that while we are a relatively small player, there remains ample opportunity to further lift our topline.

PROPERTY & CASUALTY INSURANCE

▲31%

MARINE INSURANCE

▲28%

MOTOR INSURANCE

▲4%

CHAIRMAN'S MESSAGE

The past two years have been testing for many businesses in Singapore. While Singapore's economy rebounded strongly, growing 7.6% in 2021, the recovery has been uneven – with many sectors still not yet back to their normal operations.

We were lucky that a significant part of our portfolio is inherently resilient, and provided some shelter during the COVID-19 downturn.

With every dark cloud comes a silver lining and during the circuit breakers and generally curtailed face to face interaction the enhanced need for digital documentation from both our intermediaries and end clients actually strengthened our operations and productivity.

With that, I am pleased to report that our collective efforts have led to a 13% increase in GWP to S$55.5 million in 2021. This also signifies a new record topline for EQI. Correspondingly, our profit remained stable at S$4.3 million.

DEEPENING OUR CORE STRENGTH IN STATUTORY CLASSES OF BUSINESS

One core strength of ours lies in writing the classes of business that are basic to all industry in Singapore, such as Motor, Work Injury Compensation and Foreign Worker Medical.

We used the time in 2020 and 2021 – in between scrambling to put ever changing safety protocols in place – to deepen our expertise in writing our core business classes. This enhanced the quality of our insurance portfolio, which will translate into better loss ratio and profitability in the long-run.

This didn't just happen by chance. We have been strategically adjusting our portfolio mix over several years. while being ever mindful to service the needs of our intermediaries and customers by continuing to offer a relevant range of insurance coverage and maintaining our speed of response to quotation requests and claims.

The end result? A better risk pool and loss ratio on our books. Despite our record GWP in 2021, we incurred less in gross claims compared to our last financial year.

Today, we represent a small percentage of Singapore's general insurance industry. So, while it continues to remain challenging, I have great confidence in our team to successfully compete for more business.

OPPORTUNITY IN HIGH-END BUSINESS LINES

Apart from a higher quality portfolio, we have also identified the high-end market for growth. As our intermediaries have access to high net worth clients, they can introduce complementary coverage in certain personal business lines for luxury cars, pleasure yachts, homes, and the likes. For this to work in our advantage, we need to build up a sizeable pool of insured.

Working hand-in-hand with our intermediaries, we will encourage and equip them to transact more complementary business lines seamlessly by tapping on our digital know-how.

BUILDING UP OUR INTERMEDIARY-LED BUSINESS

We are built as an intermediary-led business, and continue to see long-term merits in this approach. This is underscored by the fact that 99% of our business comes from our intermediaries.

While there is increasing disintermediation in the personal lines business, commercial insurance lines tend to be relatively more complex, with customers typically requiring sound advice before making a decision. This is why we firmly believe that our intermediaries will continue to play an important role in the insurance transaction.

With that in mind, we continue to onboard new digital tools for the convenience of our agents. In essence, we have to be the aggregator of technology for them because they are at the heart of our business. At the end of the day, when we enable them to compete better, their business grows, and our business grows as well.

Underpinning our strategy to invest in advanced digital tools, is to open new avenues of business opportunities for our intermediaries.

Firstly, to tap on their existing pool of customers for higher-end business opportunities. Secondly, to give them the digital tools to enhance their reach to the as yet untapped pool of simple personal lines business that they may be able to access through collaboration with their corporate clients.

We have no choice but together to become more able digital beasts. Growing up in a world where information is at one's fingertips, today's customers are increasingly looking for greater transparency and self-serve functions. We have to be able to give our intermediaries this competitive edge.

LOOKING FORWARD TO ANOTHER EXCITING YEAR

As we see some respite from the pandemic, I am very appreciative of everyone's hard work and positive mentality. We have shown the mettle to overcome what has been an immensely challenging period for both businesses and individuals.

Operationally, our portfolio has also been streamlined. We are managing a higher quality portfolio today. This gives us the encouragement to pursue new areas of strategic growth and integrate more digital solutions across different aspects of our business.

Setting a record-breaking topline in 2021 was the icing on the cake for us. Ultimately, this success is only possible because of our intermediaries, partners, customers and employees. Thank you for your unwavering support and diligent efforts.

It is also heartening that Singapore has lifted majority of the safe management measures as I pen this statement. I hope this will provide more opportunities for me to meet many more of you in person in the coming year.

Leow Tze Wen
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S **MESSAGE**

We have been talking about a careful pruning of our insurance portfolio for several years now. Today, we are closer to where we want to be with our portfolio mix. This has translated into a record GWP of S$55.5 million in 2021.

This does not mean our work ends. The nature of the insurance business means we must constantly adjust our portfolio mix on an ongoing basis. Nevertheless, we foresee that it will be more moderate and reactionary going forward.

Our record topline also comes on the back of a strong 7.6% economic rebound in Singapore's economy. While this is good news, the global economy continues to be in an precarious position – and we must remain vigilant to geopolitical and inflationary risks.

DELIVERING A RECORD GROSS WRITTEN PREMIUM

In 2021, our topline rose 13% to S$55.5 million – which sets a new record for EQI. This was better than the 8% GWP increase in the general insurance industry during the year.

We are heartened by this result as it proves that our work in streamlining the portfolio over a number of years is paying off. Our strategy to re-focus on our core SME business and vie for higher-end business is beginning to deliver better revenue, even as underwriting results are improving as well.

At the same time, our profit for the year came in at S$4.3 million in 2021.

A FOCUS ON IMPROVING OUR LOSS RATIO

In 2020, we saw our loss ratio improving mainly due to the general slowdown in business activity across the island. Less business activities translated into fewer accidents reported on building sites and on the roads.

As business ramped up in 2021, we also saw claims start to understandably increase. However, one silver lining is that our loss ratio did not revert back to pre-COVID-19 levels. This positive outcome can be attributed to our improving portfolio quality. Again, we can see our business recalibaration efforts over the past few years paying off.

Rather than fight to win business in extremely competitive lines, we doubled our efforts to boost the quality of our portfolio. Concurrently, we also actively shed risk that we did not want to carry any longer. This included several of our unprofitable business.

As we currently only own a small market share in Singapore general insurance industry, we believe there remains sufficient opportunities that we can vie for.

MANDATORY MEDICAL INSURANCE COVERAGE TO RISE TO S$60,000

Our core business has always been powered by statutory classes of insurance. These are insurance policies that other businesses and individuals are mandated to purchase.

During Budget 2022, the government announced that employers must buy higher medical insurance coverage for their foreign workers – S Pass and Work Permit holders – and foreign domestic helpers in Singapore. Currently, such employers must already purchase health insurance plans with an annual coverage limit of S$15,000. The new requirement will increase the annual limit to S$60,000, with a 75% co-payment requirement on any inpatient and day surgery claims.[2]

This will be implemented for all new S Pass and Work Permit applicants, as well as for foreign domestic helpers, by end of the year.

EQI's Foreign Worker Medical dipped 26% to S$3.0 million and Maid Insurance rose 4% in 2021. This was part of our intended strategy to reduce exposure in these two business lines in response to higher claims in recent years.

The government's announcement for a higher level of insurance requirement comes on the back of rising medical costs in recent years. Premiums for our Foreign Worker Medical and Maid Insurance products may rise as a result. However, as we are not market leaders in either segments, we will have to take a wait-and-see approach before deciding on any new dicrections in these business lines.

BEING EQUIPPED FOR THE ACCELERATION IN DIGITAL ADOPTION

One main constraint against adoption of our digital tools was the inertia from our employees and intermediaries to take full advantage of it – a problem that the Circuit Breaker and subsequent work-from-home requirements has solved.

As more people are returning to the office today, we continue to see even stronger usage of our digital tools. Each year, it has been our aim to provide incremental improvements in our IT infrastructure to better support intermediaries and employees.

TAKING ADVANTAGE OF SITUATIONAL OPPORTUNITIES

In February 2022, a major player announced that they would be exiting the motor and commercial insurance business in Singapore. While we were not expecting this, we have come to accept that global insurers will have their own strategies to adhere to.

As a Singapore-owned and managed insurer, you can be assured that all our strategies converge to build up our Singapore business.

We cannot predict exactly how the industry will be impacted. One possibility is that rates might harden. Another potential is that there may also be a release of talent into the market.

Following the pruning of our portfolio over the years, we are ready to capture any spill-over opportunities if they indeed pan out.

John Fu
CHIEF EXECUTIVE OFFICER

[2] Ministry of Manpower ("MOM"): Enhanced Medical Insurance Coverage To Better Protect Employers – 4 March 2022

BOARD OF **DIRECTORS**

1 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.

2 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.

3 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.

4 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.

5 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.

6 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**

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1 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).

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2 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.

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3 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 industry. 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.

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4 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 boost EQ Insurance's Claims Service Level.

BUSINESS **OUTLOOK**

With MTI forecasting Singapore's GDP expansion to be between 3.0% and 5.0% in 2022,[1] the economy looks to be on the mend. Furthermore, as the government has lifted most COVID-19 restrictions domestically, we should also see a ramp up in economic activities.

However, we must also be mindful of the risks in the marketplace. Despite the hyperlocal nature of our business, international events such as growing geopolitical tensions may boil over. Another looming threat is higher inflation – which may put pressure on our costs as well as lean into premium rates.

PROPERTY & CASUALTY AND MARINE

In 2022, the construction industry is slated to remain robust with the Building and Construction Authority ("**BCA**") projecting a total construction demand of S$27 billion to S$32 billion. This is higher than in the last two years, which were impacted by COVID-19, and more comparable to construction demand in 2019.[2]

This is in line with the normalisation of business in Singapore following nearly two years of subdued activity due to the pandemic. Construction activity will also be supported in the mid-term by major infrastructure projects such as the Cross Island Line, Jurong Lake District and Changi Airport Terminal 5.[2]

During Singapore Budget 2022, the Government also announced plans to tighten foreign workforce quota in the construction sector from 2024. We do not foresee that this will have an outsized impact on EQI, due to our modest market share.

Having absorbed a 23% spike to our Work Injury Compensation business due to additional coverage requirements for sub-contractors, we do not foresee a similar jump in 2022. Nevertheless, we have already spent a lot of effort in speeding up our quotation process and enabling hassle-free claims so as to gain a foothold in this business. Thus, we are hopeful it continues to show some strength going forward.

Our bonds business also climbed during the year, as this was part of our strategy to grow complementary lines of business.

MOTOR

While Motor is the largest component of Singapore's general insurance business, we have steadily pruned our Motor portfolio as part of our efforts to trim unhealthy risks off our books. This has seen our Property & Casualty portfolio overtake our Motor portfolio to become our largest business since 2020.

This is not to say Motor is less important for us today. Rather, after re-aligning risks within our Motor business, we are now encouraged to build up the business on the right footing. This time round, our focus will be on capturing higher-quality risks in the sector.

A recent goal of ours is to pursue the high-end luxury vehicles market. This strategy also enables us to target other complementary higher-end personal business lines .

Another development we need to keep our eyes on is any major shifts in the Motor loss ratio as business activites in Singapore have returned to normal this year.

ACCIDENT & HEALTH

On the back of the COVID-19 pandemic, employees' health has become a topic that no employer can ignore. This may potentially generate new avenues of demand for health insurance.

In recent years, we have also been recaliberating our Health, Foreign Worker Medical and Maid Insurance business lines due to unsustainable loss ratio.

The growth in our Health and Maid Insurance business lines in 2021 was the result of one-off events that are unlikely to continue in the upcoming year. Our Foreign Worker Medical business line declined 26%, but it is near the composition we have been targeting.

One potential bright spark for our Foreign Worker Medical and Maid Insurance business is the fact that the government has mandated an enhancement of coverage on mandatory medical insurance for Work Permit and S Pass holders. This is to protect employers against unexpectedly high claims. From end-2022, employers will continue to receive 100% coverage on the first S$15,000 of medical expenses, and see enhanced coverage of an annual limit of up to S$60,000. There will be a 75% co-payment for medical bills above $15,000.[3] This move may translate into premiums rising in the industry.

In addition, travel restrictions are incrementally being eased from the second half of 2022 . Thus, we may see pent-up demand for travel moving forward. We have already worked with our partners to include COVID-19 coverage in our travel products.

REPOSITIONED FOR FUTURE GROWTH

Several years ago, we embarked on an important strategy to re-examine our business and enforce a stricter underwriting process. Operating in an intensely competitive environment, we had to zero-in on the quality of our portfolio.

Another step we took was to relook all of our smaller business lines. We made a conscientious decision to avoid expanding into new products that we lacked deep expertise in. This way, we also avoided a problem of not having sufficient scale and manpower within any business line, which is pivotal in the insurance business.

In the same vein, we also started shedding certain non-core and less profitable business lines. We were able to further de-risk our portfolio, while being able to re-deploy resources to boost our competitive advantage within our core business lines.

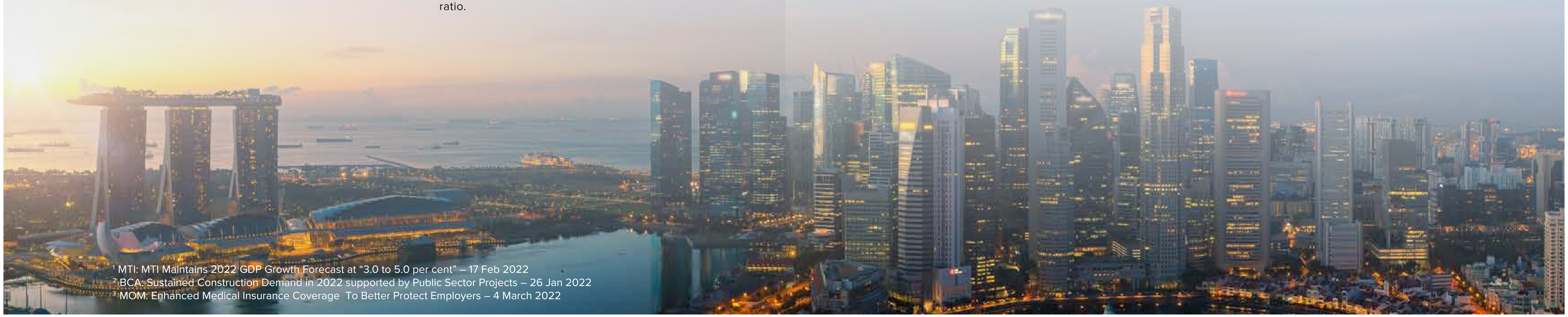
Being small and nimble, we also retained the flexibility to pursue growth in areas that we assessed to be profitable. We did this by targeting high-end personal business lines for high net worth individuals. We felt that they were complementary to our core business where we could tap on our existing pool of producers to grow.

Inch by inch, our portfolio has been reconfigured. Today, we are satisfied with our current risk pool.

This has not only strengthened our long-term sustainability, but is also bearing fruit in the near-term. While we are happy to deliver a record GWP of S$55.5 million, we are immensely proud of the improvement in our underlying profitability and portfolio quality. We believe our better loss ratio can be a springboard for EQI to capture more business going forward.

Over the years, we have also been building up our repertoire of digital tools for both our employees and intermediaries – and will continue to do so. We must continually improve employee productivity with our digital investments. For our intermediaries, we will work together to provide them with digital tools to improve their business.

Another recent update in the local general insurance industry is the exit of a major insurer. This changes nothing for us as Singapore has always been our focal point. We believe intermediaries will recognise this, and prefer working with our friendly management team, underwriting team and employees.



[1] MTI: MTI Maintains 2022 GDP Growth Forecast at "3.0 to 5.0 per cent" – 17 Feb 2022
[2] BCA: Sustained Construction Demand in 2022 supported by Public Sector Projects – 26 Jan 2022
[3] MOM: Enhanced Medical Insurance Coverage To Better Protect Employers – 4 March 2022

Extract From FINANCIAL REPORT

BALANCE SHEET AS AT 31 DECEMBER 2021

	2021 $	2020 $
Non-current assets		
Property and equipment	**714,721**	858,714
Right-of-use assets	**931,508**	1,515,634
Investment securities	**10,753,178**	18,756,857
Reinsurers' share of insurance contract liabilities	**8,772,128**	11,933,946
Deferred tax assets - net	**472,805**	1,378,996
	21,644,340	34,444,147
Current assets		
Investment securities	**15,622,586**	11,557,525
Prepayments and deposits	**460,392**	484,615
Trade receivables	**7,749,839**	7,084,045
Amounts due from related companies	**141,049**	162,467
Other receivables	**749,434**	1,064,477
Cash, bank balances and deposits	**104,175,102**	86,165,746
Loans and receivables at amortised costs	**112,815,424**	94,476,735
	128,898,402	106,518,875
Current liabilities		
Trade payables	**14,741,853**	8,140,124
Amounts due to related companies	**55,789**	45,317
Other payables	**4,623,152**	4,153,424
Lease liabilities	**673,637**	645,235
Hire purchase payables at amortised costs	**23,200**	23,200
Financial liabilities carried at amortised costs	**20,117,631**	13,007,300
Net Current assets	**108,780,771**	93,511,575
Non-current liabilities		
Gross insurance contract liabilities	**72,198,030**	72,156,780
Contingency reserves	**35,118**	35,118
Lease liabilities	**272,173**	880,257
Hire purchase payables at amortised costs	**30,933**	54,133
	72,536,254	73,126,288
Net assets	**57,888,857**	54,829,434
Equity attributable to equity holder of the Company		
Share capital	**45,700,000**	45,700,000
Fair value reserve	**-**	2,800
Accumulated profit	**12,188,857**	9,126,634
Total equity	**57,888,857**	54,829,434

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 $	2020 $
Gross written premium	**55,490,910**	49,056,427
Reinsurers' share of gross premiums written	**(6,693,695)**	(4,467,110)
Gross change in reserve for unexpired risk- net of deferred acquisition cost	**(3,506,004)**	(972,160)
Reinsurers' share of gross change in reserve for unexpired risk-net of deferred acquisition cost	**1,283,384**	110,917
Net earned premium	**46,574,595**	43,728,074
Gross claims paid	**(26,407,897)**	(27,207,983)
Reinsurers' share of gross claims paid	**3,131,530**	935,856
Gross change in loss reserves	**3,464,579**	5,195,281
Reinsurers' share of gross change in loss reserves	**(4,445,201)**	(669,260)
Net claims incurred	**(24,256,989)**	(21,746,106)
Commission expense	**(9,083,209)**	(8,067,216)
Commission income	**1,372,641**	837,153
Net commission	**(7,710,568)**	(7,230,063)
Other underwriting expenses	**(1,722,412)**	(1,578,787)
Other underwriting income	**312,749**	-
Underwriting profit from direct general insurance	**13,197,375**	13,173,118
Net underwriting results from reinsurance business (in run off)	**175**	937
Investment and other income	**2,483,771**	2,657,585
Other operating expenses	**(10,512,332)**	(10,589,159)
Profit before tax	**5,168,989**	5,242,481
Taxation	**(906,766)**	(688,820)
Profit for the year	**4,262,223**	4,553,661

Extract From **FINANCIAL REPORT**

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 $	2020 $
Profit for the year	**4,262,223**	4,553,661
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	**(3,375)**	(30,375)
Income tax relating to components of other comprehensive income	**575**	5,163
Other comprehensive loss for the year, net of tax	**(2,800)**	(25,212)
Total comprehensive income for the year	**4,259,423**	4,528,449

ENVIRONMENTAL FOOTPRINT GOVERNANCE

We have a robust Enterprise Risk Management framework which identify, assess, manage and control the risk exposure as well as the analyses of the effects of the potential strategic decisions on the level of risk taking are an essential part of the operations of the Company.

The Board of Directors has the overall responsibility for the risk management of EQI, including setting of the risk appetite, organization and risk management and internal control systems. In particular, the Board is responsible to ensure that we incorporate environmental risk in our assessment and management of our financial and business risks.

Within this structure, the Chief Executive Officer has the ultimate responsibility for the implementation of risk controls in the business and financial operations. The Chief Executive Officer is supported by the management team of EQI.

OUR STRATEGY

In line with the MAS' Guidelines on Environmental Risk Management ("ENRM") for Insurers and Task-Force on Climate-related Financial Disclosures ("TCFD") recommendations, we strive to step up our efforts and capability to better assess our portfolio resilience against the exposure to climate-related risks and transition risks.

In this aspect, within the process of identifying material risks in new product and investment opportunities, we have integrated environmental risks in our assessment of these risk exposures.

We are keeping abreast with the development in consumers' insurance needs and are regularly reviewing our range of product offerings and proprietary investment portfolio to establish areas or sectors that are most vulnerable.

RISK MANAGEMENT

In EQI, we have identified our main risks to include:

i) Insurance risk – relating to underwriting and pricing insurance products and reserving payments for future claims.

ii) Financial risk – the risk relating to fluctuations in the value of financial assets (market risk), fluctuations in interest and foreign exchange rates, credit risk and liquidity risk, and

iii) Operational risk – the risk related to operations, brands and systems

We recognize that environmental risks can result in negative impact to the above risk categories. In that respect, we have established an ENRM framework within our Enterprise Risk Management policy such that in the execution of any new or existing operational activity, the Company will assess the risks in concurrent with environmental risk to ascertain its exposure.

We believe that a gradual and smooth transition would alleviate physical and transition risks, by reducing the probability of a "too little, too late" scenario, where physical costs of environmental changes may be exacerbated and policymakers would need to implement mitigation measures in a belated and disruptive manner.

INSURANCE INDUSTRY IN SINGAPORE

While there is still an on-going deliberation between the regulators and insurers on the assessment of the insurance industry by climate-relevant sectors and the challenges of projecting such exposures due to the unavailability of information, we will continually review and evolve our assessment on our exposures due to the developing nature and maturity of this risk management practices.

RESPONSIBLE UNDERWRITING

EQI generally does not write industries that have a direct influence on the environment, such as petrochemicals or fossil fuels. At this juncture, we are unable to give a clear study of the impact of environmental risk on our customer base due to the limited data acquired in terms of customer segments of our business portfolio in previous years. However, we will assess the practicability of implementing additional questions in our underwriting process.

We will progressively develop more product offerings to adapt to consumers' needs.

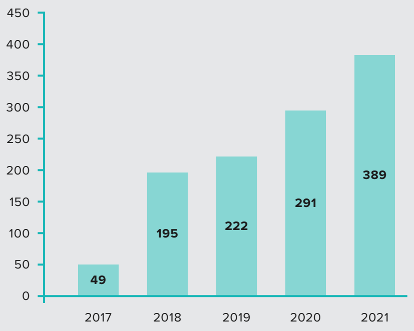
MOTOR PORTFOLIO

In particular, with the main global focus on a low carbon economy, we expect a direct risk to the Motor business resulting from policy changes that could potentially be imposed by the government in the development years ahead. Motor insurance, being EQI's largest top-line business, will be materially impacted if regulatory measures make it difficult for consumers to own fossil fuel vehicles.

In 2021, our personal use vehicle portfolio has 4.1% exposure to hybrid and electric automobiles. It has increased from 49 vehicles in 2017 to 389 vehicles in 2021, showing a compound annual growth rate of 51.3%.

We will continuously monitor the industry and align ourselves to the evolving market sentiments.

Electric and Hybrid vehicle count



RESPONSIBLE INVESTMENT

To uphold our tenacity in investing responsibly, the investment managers with whom we have engaged for our proprietary investment portfolio, have integrated environmental, social and governance (ESG) analysis into their approach and in the evaluation of investment opportunities. They take a forward-looking and transition-based approach that takes not just the current and past ESG profile of an investment opportunity, but their assessment of its future trajectory. Together we will periodically review our portfolio to ensure that it remains materially sustainable and minimize financial impact to the business.

RESPONSIBLE BUSINESS PRACTICES

MANAGE AND REDUCE CARBON EMISSIONS

To contribute to the reduction of Scope 3 carbon emissions, we have commenced the tracking of our employees' commute carbon footprint and paper consumption.

EMPLOYEE COMMUTING

We are tracking the indirect emissions produced by our employees commuting between their residences and office. In the event that all employees return to office, the annual carbon footprint is predicted to be 62,354 kg CO_2. In 2021, owing to the pandemic workplace safety restrictions, with our employees mostly working from home, our overall carbon footprint was 12,903 kg CO_2, representing a reduction of 80% prior to pandemic situation.

We are dedicated to environmental preservation by implementing a Work-from-Home Policy, whereby remote working will be required once a week. This would translate to a 20% reduction in the carbon impact of employees' commuting as compared to pre-pandemic work arrangement.

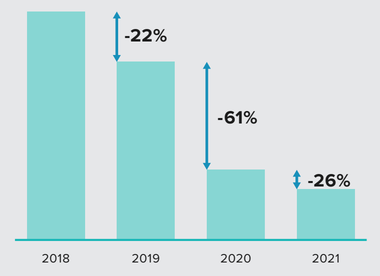
PAPER CONSUMPTION

As a contribution to the cause, we have also established a paper-less culture and incorporated sustainability principles into our procurement practices by engaging suppliers certified by SGLS ("Singapore Green Labelling Scheme") and PEFC ("Programme for the Endorsement of Forest Certification").

All insurance policy documents are transmitted to our intermediaries or insured electronically unless hard copies are requested. Due to the COVID-19 pandemic, we had the opportunity to urge our insured to 'go green'.

By the end of December 2021, 95% of our claim payments are done electronically. Meanwhile, the introduction of a paper-less culture, coupled with behavioral modifications as employees worked primarily from home, had resulted in a total paper consumption of 885 reams (2,208kg) in 2021, which was a reduction from 2020.

Paper Consumption
(in terms of reams)



We will continue to leverage on our digitalisation efforts by transforming paper-centric operations to electronic operating systems over time. In particular, we will progressively digitalise our claims' submission and processing procedures. We aim to reduce our paper consumption by 20%.

SUSTAINABLE GIFTS

To reinforce EQI's brand value and enhance our brand image with our customers and business partners, we will increasingly shift towards eco-friendly corporate gifts to demonstrate our commitment to the cause and willingness to invest in environmental responsibility.

OUR PERFORMANCE IN 2021

- Electric and Hybrid Vehicles represent 4.1% in our personal use vehicle portfolio
- Annual carbon footprint is recorded at 12,903 kg CO_2, a reduction of 80% prior to the COVID-19 pandemic
- 95% of our claim payments are made electronically
- Paper consumption reduced by 26% from 2020.

OUR TARGETS

- To align our exposure on Electric and Hybrid Vehicles to the industry's and consumers' demands.
- To achieve 20% reduction in employees' commute carbon footprint, prior to the COVID-19 pandemic.
- To achieve 20% reduction in paper consumption.
- Continually review and evolve our assessment on our business exposure in order to align with the industry development.