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

(Incorporated in Belgium. Registration Number: T10FC0145E)

ANNUAL REPORT

For the year ended 31 December 2016

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

ANNUAL REPORT
For the year ended 31 December 2016

Contents

STATEMENT BY CHIEF EXECUTIVE
For the year ended 31 December 2016

I, Lena Tsia, the Chief Executive primarily responsible for the financial management of Cigna Europe Insurance Co. S.A.-N.V., Singapore Branch, state that, in my opinion, the accompanying statement of assets used in and liabilities arising out of operations in Singapore, statement of comprehensive income, statement of changes in head office account and statement of cash flows arising out of the Branch's operations in Singapore, together with the notes therein are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards, so as to give a true and fair view of the financial position of the Branch's operations in Singapore as at 31 December 2016, and of the financial performance, changes in head office account and cash flows of the Branch's operations in Singapore for the year ended 31 December 2016.

LENA TSIA
CHIEF EXECUTIVE

Singapore

13 June 2017

INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Cigna Europe Insurance Co. S.A.-N.V.- Singapore Branch (the "Branch") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Branch's operation in Singapore as at 31 December 2016 and of the financial performance of the Branch's operation in Singapore, changes in head office account and statement of cash flows from such operatios for the year ended on that date.

What we have audited

The financial statements of the Branch comprise:

- the statement of assets used in and liabilities asiring out of operations in Singapore as at 31 December 2016;
- the statement of comprehensive income arising out of operations in Singapore for the year then ended;
- the statement of changes in head office account for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V. (continued)

Other Information

Management is responsible for the other information. The other information comprises the Statement by Chief Executive included on page 1 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of Cigna Europe Insurance Co. S.A.-N.V. include overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO CIGNA EUROPE INSURANCE CO. S.A.-N.V. (continued)

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Branch have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 13 June 2017

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

STATEMENT OF COMPREHENSIVE INCOME
ARISING OUT OF OPERATIONS IN SINGAPORE
As at 31 December 2016

	Notes	2016 $'000	2015 $'000
Gross premiums written	14(b)(ii)	**78,862**	57,279
Outward reinsurance premiums	14(b)(ii)	**(38,763)**	(29,153)
Net premiums written		**40,099**	28,126
Increase in unearned premium reserves		**(4,711)**	(3,190)
Net earned premiums	14(b)(ii)	**35,388**	24,936
Gross claims paid	14(b)(i)	**(45,868)**	(31,104)
Reinsurer's share	14(b)(i)	**24,101**	15,914
Net claims paid		**(21,767)**	(15,190)
Increase in gross outstanding claims provision		**(3,124)**	(3,873)
Reinsurer's share		**1,448**	1,936
Increase in net outstanding claims reserves	14(b)(i)	**(1,676)**	(1,937)
Net claims incurred		**(23,443)**	(17,127)
Commission income		**11,118**	7,444
Commission expense		**(5,584)**	(3,530)
Net commission income		**5,534**	3,914
Investment gain – net	4	**465**	136
Other miscellaneous gains	5	**4,127**	3,282
Employee compensation	6	**(4,337)**	(2,944)
Other operating expenses	7	**(8,724)**	(8,190)
Profit before income tax		**9,010**	4,007
Income tax expense	8	**(1,140)**	(109)
Net profit after income tax		**7,870**	3,898
Other comprehensive income		**-**	-
Total comprehensive income		**7,870**	3,898

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

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

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

As at 31 December 2016

	Notes	**2016 $'000**	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**5,461**	11,962
Financial assets, at fair value through profit or loss	10	**38,179**	28,941
Insurance receivables	11	**34,255**	17,748
Other current assets	12	**3,248**	2,639
Unearned premiums on reinsurance ceded	14(b)(ii)	**11,165**	8,229
Deferred acquisition cost on unearned premium reserve	14 (a)	**1,581**	1,099
Outstanding claims on reinsurance ceded	14(a)	**6,259**	4,811
Reinsurance recoverable on paid claims	14(a)	**129**	-
		100,277	75,429
Non-current assets			
Property, plant and equipment	13	**16**	23
Deferred tax asset	8(c)	**-**	506
		16	529
Total assets		**100,293**	75,958
LIABILITIES			
Current liabilities			
Insurance payables	15	**22,471**	16,435
Due to related companies	16	**1,244**	2,968
Other creditors and accruals	17	**2,896**	1,514
Unearned premium reserves	14(a)	**25,511**	17,864
Outstanding claims reserves	14(a)	**12,746**	9,622
		64,868	48,403
Total liabilities		**64,868**	48,403
NET ASSETS		**35,425**	27,555
HEAD OFFICE ACCOUNT			
Head office contributions		**32,500**	32,500
Accumulated losses		**2,925**	(4,945)
		35,425	27,555

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

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

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
For the year ended 31 December 2016

		Head office contributions $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2016		32,500	(4,945)	27,555
Total comprehensive income		-	7,870	7,870
Balance at 31 December 2016		32,500	2,925	35,425
Balance at 1 January 2015		22,581	(8,843)	13,738
Funds received from head office	18	9,919	-	9,919
Total comprehensive loss		-	3,898	3,898
Balance at 31 December 2015		32,500	(4,945)	27,555

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

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before income tax		**9,010**	4,007
Adjustments for:			
Depreciation charge	13	**19**	44
Amortisation		**382**	247
Fair value losses	4	**6**	135
Interest Income		**(571)**	(448)
Operating cash flows before working capital changes		**8,846**	3,985
Changes in working capital			
- Outstanding claims reserves		**1,676**	1,937
- Reinsurance recoverable on paid claims		**(129)**	188
- Unearned premium reserves		**4,711**	3,190
- DAC on unearned premium reserves		**(482)**	(474)
- Insurance receivables		**(16,507)**	(7,963)
- Insurance payables		**6,036**	7,914
- Other current assets		**(609)**	(1,148)
- Due to related companies		**(1,724)**	980
- Other creditors and accruals		**748**	255
Cash generated from operating activities		**2,566**	8,864
Interest received		**544**	392
Net cash generated from operating activities		**3,110**	9,256
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(12)**	(6)
Purchase of financial assets, at fair value through profit or loss		**(14,709)**	(14,133)
Disposal of financial assets, at fair value through profit or loss		**5,110**	790
Net cash used in investing activities		**(9,611)**	(13,349)
Cash flows from financing activities			
Capital funding received from Head Office		**-**	9,919
Net cash provided by financing activities		**-**	9,919
Net increase in cash and cash equivalents		**(6,501)**	5,826
Cash and cash equivalents at beginning of year		**11,962**	6,136
Cash and cash equivalents at end of year	9	**5,461**	11,962

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

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

1. General information

The Branch is registered and domiciled in Singapore. The address of the Branch's registered office is 152 Beach Road, # 26-05 The Gateway East, Singapore 189721.

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards in 2016

On 1 January 2016, the Branch adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Branch's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2. **Significant accounting policies** (continued)

2.2 Revenue recognition

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

Premium income

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

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

Interest Income

Interest income is recognised using the effective interest method.

2.3 Property, plant and equipment

(a) Measurement

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

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

(b) Depreciation

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

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

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

2. Significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

(c) Subsequent expenditure

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

(d) Disposal

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

2.4 Impairment of non-financial assets

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior financial years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.5 Financial assets

(a) Classification

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

2. **Significant accounting policies** (continued)

2.5 Financial assets (continued)

(a) *Classification* (continued)

(i) *Loans and receivables*

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

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

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

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

(b) *Recognition and derecognition*

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

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

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(c) *Initial measurement*

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

(d) *Subsequent measurement*

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

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

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

(e) *Impairment*

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

Loans and receivables

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

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

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

2. Significant accounting policies (continued)

2.6 Operating leases

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

2.7 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be realised.

Deferred income tax is measured:

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

(ii) Based on the tax consequence that will follow from the manner in which the Branch expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss for the period.

2. Significant accounting policies (continued)

2.8 Insurance contracts

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

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

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

2.9 Reinsurance contracts held

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

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

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

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

2. **Significant accounting policies** (continued)

2.10 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves.

(a) *Unearned premium reserves*

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

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

(b) *Outstanding claims reserves*

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

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

2.11 Deferred acquisition costs ("DAC")

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

2. Significant accounting policies (continued)

2.12 Liability adequacy test

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

2.13 Provisions for other liabilities and charges

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

2.14 Employee compensation

(a) Defined contribution plans

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

2.15 Currency translation

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

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

2. **Significant accounting policies** (continued)

2.16 Cash and cash equivalents

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

3. Critical accounting estimates, assumptions and judgements

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

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

The ultimate liability arising from claims made under insurance contracts

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

Actuarial methodology

The reserves are split into true IBNR (for claims incurred but not yet received), outstanding loss reserves (for claims that have been received in the office but not yet paid) and a claim handling expense/loss adjustment expenses reserve. The true IBNR uses the Bornhuetter-Ferguson approach based on claims triangles and specific loss ratio picks and the outstanding loss reserves use counts of claims forms and data management reports on pended claim forms. The claim handling reserve is a proportion of the IBNR and OSLR amounts.

Changes in assumptions

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

4. Investment gain – net

	2016 $'000	2015 $'000
Interest income	**571**	448
Fair value losses	**(6)**	(135)
Investment expenses	**(100)**	(177)
	465	136

5. Other miscellaneous gains

	2016 $'000	2015 $'000
Foreign exchange gains – net	**1,944**	2,059
Service fee income	**2,178**	1,196
Cash grants	**5**	27
	4,127	3,282

6. Employee compensation

	2016 $'000	2015 $'000
Wages, salaries and staff benefits	**4,105**	2,760
Employer's contribution to defined contribution plans including Central Provident Fund	**232**	184
Net employee compensation	**4,337**	2,944

7. Other operating expenses

	2016 $'000	2015 $'000
Rental expense – operating leases	229	222
Allocated head office expenses	6,641	5,868
Accounting and legal fees	332	158
Printing, postage and telecommunications	215	96
Office utilities and office costs	47	25
Computer costs	19	8
Travelling and entertainment expenses	316	190
Association and license fees	269	75
Bank charges	348	283
Advertising	95	36
Depreciation	20	42
Management recharges	-	6
Programme fees	136	139
Network provider fees	285	436
Impairment of receivables	(317)	314
Other expenses	89	292
	8,724	8,190

8. Income tax expense

(a) Analysis of charge in year

	2016 $'000	2015 $'000
Tax expense attributable to profit is made up of:		
- Current income tax – current year	634	(15)
- Deferred income tax – current year	506	124
	1,140	109

(b) Factors affecting tax charge for year

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

	2016 $'000	2015 $'000
Profit before tax	9,010	4,007
Tax calculated at tax rate of 17% (2015: 17%)	(1,532)	(681)
Effects of:		
Expenses not deductible for tax purposes	(12)	(6)
Utilisation of previously unrecognised tax losses and capital allowances	347	563
Statutory stepped in come exemption	26	-
Tax incentives	25	-
Enhanced tax deductions	6	-
Over provision of tax in prior financial years	-	15
	(1,140)	(109)

(c) Deferred tax asset

	2016 $'000	2015 $'000
Tax losses	-	506

In addition to the above, deferred tax assets have not been recognised for the other timing differences of $0.08m(2015: $2.19m) as the timing of the future taxable profits available for realisation of these temporary differences is uncertain.

9. Cash and cash equivalents

	2016 **$'000**	2015 $'000
Cash at bank and on hand	**5,461**	11,962

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

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

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

	2016 **$'000**	2015 $'000
At fair value		
Fixed income securities, quoted	**38,179**	28,941

11. Insurance receivables

	2016 **$'000**	2015 $'000
Insurance receivables (third parties)	**34,732**	18,743
Less: Allowance for impairment of receivables	**(477)**	(995)
Insurance receivables – net	**34,255**	17,748

The carrying amounts of insurance receivables approximate their fair values.

12. Other current assets

	2016 **$'000**	2015 $'000
Other receivables	**2,766**	2,420
Prepaid operating expenses	**411**	160
Deposits	**71**	59
	3,248	2,639

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

13. Property, plant and equipment

	Computers $'000	Office renovation $'000	Office equipment $'000	Total $'000
2016				
Cost				
As at 1 January 2016	53	202	2	257
Additions	12	-	-	12
As at 31 December 2016	65	202	2	269
Accumulated depreciation				
As at 1 January 2016	37	195	2	234
Depreciation charge	12	7	-	19
As at 31 December 2016	49	202	2	253
Net book value				
As at 31 December 2016	**16**	**-**	**-**	**16**

	Computers $'000	Office renovation $'000	Office equipment $'000	Total $'000
2015				
Cost				
As at 1 January 2015	47	202	2	251
Additions	6	-	-	6
As at 31 December 2015	53	202	2	257
Accumulated depreciation				
As at 1 January 2015	23	165	2	190
Depreciation charge	14	30	-	44
As at 31 December 2015	37	195	2	234
Net book value				
As at 31 December 2015	**16**	**7**	**-**	**23**

14. Insurance liabilities and reinsurance assets

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

	2016 $'000	2015 $'000
Gross		
Insurance contracts:		
Gross outstanding claims reserves	**12,746**	9,622
Gross unearned premium reserves	**25,511**	17,864
DAC on unearned premium reserve	**(1,581)**	(1,099)
Total insurance liabilities – gross	**36,676**	26,387
Recoverable from reinsurers		
Reinsurer's share of outstanding claims reserves	**6,259**	4,811
Reinsurer's share of unearned premium reserves	**11,165**	8,229
Reinsurer's share of paid claims	**129**	-
	17,553	13,040
Net		
Insurance contracts:		
Net outstanding claims reserves	**6,487**	4,811
Net unearned premium reserves	**14,346**	9,635
DAC on unearned premium reserve	**(1,581)**	(1,099)
Net reinsurance recoverable on paid claims	**(129)**	-
Total insurance liabilities – net	**19,123**	13,347

(b) Movements in insurance liabilities and reinsurance assets

(i) Outstanding claims reserves

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2016	9,622	(4,811)	4,811
Claims incurred during the year	48,992	(25,549)	23,443
Claims paid during the year	(45,868)	24,101	(21,767)
Balance at 31 December 2016	12,746	(6,259)	6,487

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2015	5,749	(2,875)	2,874
Claims incurred during the year	34,977	(17,850)	17,127
Claims paid during the year	(31,104)	15,914	(15,190)
Balance at 31 December 2015	9,622	(4,811)	4,811

14. Insurance liabilities and reinsurance assets (continued)

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

(ii) Unearned premium reserves

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2016	17,864	(8,229)	9,635
Written premium during the year	78,862	(38,763)	40,099
Earned premium during the year	(71,215)	35,827	(35,388)
Balance at 31 December 2016	25,511	(11,165)	14,346

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2015	12,531	(6,086)	6,445
Written premium during the year	57,279	(29,153)	28,126
Earned premium during the year	(51,946)	27,010	(24,936)
Balance at 31 December 2015	17,864	(8,229)	9,635

(iii) Deferred acquisition costs

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2016	1,099	-	1,099
Net transfer from statement of comprehensive income	482	-	482
Balance at 31 December 2016	1,581	-	1,581

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2015	625	-	625
Net transfer from statement of comprehensive income	474	-	474
Balance at 31 December 2015	1,099	-	1,099

15. Insurance payables

	2016 $'000	2015 $'000
Insurance payables:		
- Related party – Cigna Global Reinsurance Co.	**17,644**	13,637
- Third parties	**4,827**	2,798
	22,471	16,435

The carrying amounts of insurance payables approximate their fair values.

16. Due to related companies

	2016 $'000	2015 $'000
Due to related companies	**1,244**	2,968

These are unsecured, interest free, repayable on demand and approximate their fair values.

17. Other creditors and accruals

	2016 $'000	2015 $'000
Accrued operating expenses	**1,172**	1,037
Corporate tax payable	**634**	(15)
GST payable	**1,090**	492
	2,896	1,514

Other creditors approximate their fair values.

18. Head office contributions

A total of $0 (2015: $9,919K) was transferred to the Branch from its Head Office during the financial year in order to meet the daily operating requirements of the Branch.

19. Operating lease commitments

	2016 $'000	2015 $'000
Not later than one year	**184**	229
Later than one year but not later than five years	**667**	76
	851	305

20. Insurance and financial risk management

(a) Insurance risk factors

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

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

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

(i) Concentration risk

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

	2016 $'000	2015 $'000
Lines of business – Healthcare		
- Gross written premium	**78,862**	57,279
Lines of business – Healthcare		
- Net written premium	**40,099**	28,126

20. Insurance and financial risk management (continued)

(b) Financial risk factors

The Branch's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Branch. The Branch does not undertake any speculative treasury activities.

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

(i) Currency risk

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

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

2016	CHF **$'000**	EUR **$'000**	GBP **$'000**	USD **$'000**	Total **$'000**
Financial assets					
Cash and cash equivalents	70	683	883	2,194	3,830
Insurance receivables	-	216	199	28,066	28,481
	70	899	1,082	30,260	32,311
Financial liabilities					
Insurance payables		(153)	(7)	(5,890)	(6,050)
Net financial assets currency exposure	**70**	**746**	**1,075**	**24,370**	**26,261**

20. **Insurance and financial risk management** (continued)

(b) Financial risk factors (continued)

(i) Currency risk (continued)

2015	CHF $'000	EUR $'000	GBP $'000	USD $'000	Total $'000
Financial assets					
Cash and cash equivalents	70	724	744	3,755	5,293
Insurance receivables	-	313	262	10,164	10,739
	70	1,037	1,006	13,919	16,032
Financial liabilities					
Insurance payables	(14)	(198)	(73)	(1,176)	(1,461)
Net financial assets currency exposure	**56**	**839**	**933**	**12,743**	**14,571**

At 31 December 2016, if the USD, GBP, EUR and CHF had strengthened/ weakened by 5% (2015: 5%) against the SGD with all other variables including tax rate being held constant, the Branch's profit after tax for the financial year would have been $1,011,329 (2015: $528,810), $44,628 (2015: $38,721), $30,968 (2015: $34,824) and $2,895 (2015: $2,308) higher/lower as a result of currency translation gains/losses on the USD, GBP, EUR and CHF-denominated financial instruments respectively.

(ii) Credit risk

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

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

20. **Insurance and financial risk management** (continued)

(b) *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

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

Financial assets that are neither past due nor impaired

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

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

Financial assets that are past due and/or impaired

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

	Not due/ up to 3 months $'000	3 to 6 months $'000	6 to 12 months $'000	More than 12 months $'000	Total $'000
As at 31 December 2016					
Insurance receivables	13,027	2,397	16,352	2,479	34,255
As at 31 December 2015					
Insurance receivables	6,993	921	9,779	55	17,748

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(ii) Credit risk (continued)

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

	2016	2015
	$'000	$'000
Gross amount	**34,732**	18,743
Less: Allowance for impairment	**(477)**	(995)
	34,255	17,748

Allowance for impairment of receivables

	2016	2015
	$'000	$'000
Beginning of financial year	**995**	321
Provision for impairment	**(518)**	674
End of financial year	**477**	995

(iii) Liquidity risk

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

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(iii) Liquidity risk(continued)

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

	12 months $'000	Total $'000
As at 31 December 2016		
Outstanding claims reserves (Note 14(a))	**12,746**	12,746
Insurance payables (Note 15)	**22,471**	22,471
Due to related companies (Note 16)	**1,244**	1,244
Other creditors	**2,263**	2,263
Total	**38,724**	38,724
As at 31 December 2015		
Outstanding claims reserves (Note 14(a))	**9,622**	9,622
Insurance payables (Note 15)	**16,435**	16,435
Due to related companies (Note 16)	**2,968**	2,968
Other creditors	**1,529**	1,529
Total	**30,554**	30,554

(iv) Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The market prices of financial assets held by the Branch are primarily dependent on prevailing market interest rates, as the Branch invests primarily in listed Singapore sovereign bonds. Hence, no separate price risk sensitivity analysis is prepared as it is covered as part of interest rate risk sensitivity analysis. It is also noted that all Singapore sovereign bonds purchased by the Branch are held to maturity at which point maket value will equal par value.

(v) Cash flow and fair value interest rate risks

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

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

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

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

An increase/decrease of 50 basis points (2015: 50 basis points) in the interest yield of investments in bonds classified as fair value through profit or loss, with all other variables including tax rate being held constant, would decrease / increase the market value of the investment and profit after tax by $549,000 (2015: $489,000).

(vi) Financial instruments by category

The aggregate carrying amount of financial assets and financial liabilities at amortised costs are as follows:

	2016 **$'000**	2015 $'000
Financial assets, at fair value through profit or loss (Note 10)	**38,179**	28,941
Cash and cash equivalents (Note 9)	**5,461**	11,962
Insurance receivables (Note 11)	**34,255**	17,748
Other receivables	**2,837**	2,479
Outstanding claims on reinsurance ceded (Note 14(a))	**6,259**	4,811
Reinsurance recoverable on paid claims (Note 14(a))	**129**	-
Total loans and receivables	**48,941**	36,941
Total financial assets	**87,120**	65,882

	2016 **$'000**	2015 $'000
Insurance payables	**22,471**	16,435
Due to related companies (Note 16)	**1,244**	2,968
Other creditors	**2,263**	1,529
Outstanding claims reserves (Note 14(a))	**12,746**	9,622
Total financial liabilities at amortised cost	**38,724**	30,554

20. **Insurance and financial risk management** (continued)

(c) Capital management

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

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

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

(i) The sum of:

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

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

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

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

The Branch is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2016 and 2015.

20. Insurance and financial risk management (continued)

(d) *Fair value measurements*

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

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

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

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

	2016 **$'000**	2015 $'000
Financial assets, at fair value through profit or loss	**38,179**	28,941

21. Immediate and ultimate holding corporations

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

22. Related party transactions

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

(a) Income and charges for services rendered

	2016 $'000	2015 $'000
Income		
Recharge of employee compensation to a fellow branch	**1,648**	1,033
Charges		
Outward reinsurance premiums	**38,763**	29,153
Management expenses paid to fellow subsidiaries	**-**	6

(b) Key management personnel compensation

The Branch does not compensate any of its key management personnel.

23. New or revised accounting standards and interpretations

The Branch has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Branch's accounting periods beginning on or after 1 January 2017. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Branch in the period of their initial adoption.

24. Authorisation of financial statements

These financial statements were authorised for issue by the Branch's management on 13 June 2017.