ntuc income

consolidated financial statements 2009

contents

Directors' Report

For the financial year ended 31 December 2009

Front row from left to right

Matthias Yao Deputy Chairman	**Tan Suee Chieh** Director and Chief Executive	**Ng Kee Choe** Chairman	**Teo Yock Ngee** Director	**Tan Cheng Han** Director	**Audrey Chin** Director

Back row from left to right

Gong Wee Lik Director	**Ron Foo** Director	**Soh Kim Soon** Director	**Tan Peng Heng** Director	**Philip Eng** Director	**Gabriel Teo** Director

NTUC Income was set up in 1970 to look after the insurance needs of the workers in Singapore. We are now a leading composite insurer in Singapore with almost two million policyholders.

2009 Results

While Q4 2009 saw the start of an economic recovery after the financial crisis that began in 2008, overall, Singapore's economy contracted by 2.0% in 2009 against the previous year's growth of 1.2%. The life insurance industry as a whole declined by 17.5%.

However, NTUC Income went against the trend; performing well and posting several milestone results. As at the end of 2009, and for the first time, we became the top insurer in Singapore in terms of weighted life insurance new business premiums.

The company's net premium revenues also saw a record high of $3.0 billion, up from $2.6 billion the previous year, representing a growth of 14.6%.

Our underlying insurance business remained strong, with gross premiums growing 14.2% to $3.1 billion in 2009 while our sales grew by 7.6%. Insurance operating results have improved by 132.3% to $152.6 million in 2009.

Our overall net operating surplus for the year was a turnaround from a deficit of $216.3 million in 2008 to a surplus of $359.9 million in 2009. This is largely attributed to the improvement in our investment results which saw a fair value gain of $207.3 million in 2009 compared to a fair value loss of $282.0 million in 2008. Total assets under management amounted to $23.1 billion, 15.4% higher than the $20.0 billion in 2008.

We maintained our leadership position in health insurance and annuities with a 27.9% and 55.8% market share respectively.

Our Financial Advisers channel continued to put in a strong performance, leading the market with a 20.3% market share in 2009. NTUC Income expects to continue its dominance in this channel in 2010.

For General Insurance business, our gross premiums grew 22.3% to $330.2 million in 2009. We returned to profitability in our motor insurance business, and maintained the No. 1 position in Singapore.

Life Insurance

In 2009, for the first time in our corporate history, NTUC Income reported a record $275.2 million in sales, sealing its position as the top insurer in Singapore in terms of weighted life insurance new business premiums. This denoted a growth of 7.6% from $255.8 million in 2008, and was in sharp contrast to the industry's contraction of -17% for the full year.

The total premium collected for 2009 was $2.8 billion, comprising $1.3 billion in regular premium and $1.5 billion in single premium. This included group and health insurance.

The total return on the Life Insurance Participating Fund in 2009 was 12.0%, a strong recovery against -11% for 2008. The Board has accepted the Appointed Actuary's recommendation to pay out total bonus amounting to $415.5 million. Our overall payments are in line with our assurance to policyholders on our bonus restructure in 2008, when we said that the Board will look after the policyholders' interests and will ensure that the bonus allocated to policyholders result in payouts which are fair and consistent with the experience of the Life Fund. In commemoration of our 40th Anniversary celebrations, we will reward our policyholders with a special anniversary bonus of $123.0 million, and an additional $8.6 million of cash bonus.

For the group and health business, gross premiums grew 19.2% from $421.5 million in 2008 to $502.5 million. We insure more than 800,000 lives under our IncomeShield plans, making us the biggest insurer for shield plans.

For the first time, NTUC Income made significant inroads in the Bancassurance channel, securing sales of $244.5 million ($8.4 million in 2008) in single premium sales through several local and foreign banks in Singapore.

General Insurance

Gross premium for general insurance for 2009 was $330.2 million compared to $269.9 million for 2008. The general insurance business registered a net operating gain of $36.6 million for the year compared to the net loss of $16.5 million in 2008. Our total market share for 2009 was 10.8%, including 21.9% market share for motor business.

While the market share of our motor insurance business declined from 26.2% to 21.9%, it returned to profitability with Gross Written Premiums maintained at $236.2 million for the year. As at the end of 2009, NTUC Income had maintained the position as Singapore's largest motor insurer.

Shareholders

Taking into account the positive financial results for the year, the Directors propose that a dividend of 6% and a special dividend of 3%, totalling 9% (2008: 3%) amounting to $39.5 million (2008: $13.1 million) be paid to members in respect of the financial year ended 31 December 2009.

Our Strength and Corporate Governance

Having averted a global financial crisis, the outlook for the global economy is now more positive. NTUC Income remains strong financially. Nonetheless, we will continue to consolidate our financial strength by concentrating on what we do well and institutionalising a robust risk management culture. And we will continue to invest resources to enhance our overall operational effectiveness, embrace and practise the highest standards of corporate governance, transparency and disclosure, expand and deepen our capabilities and resources.

Directors' Report

For the financial year ended 31 December 2009

Social Enterprise

As a social enterprise, we are made different from other insurance companies. NTUC Income remains committed to its social role to provide essential insurance cover which is accessible and affordable to the population. Last year, we maintained the yields and payouts of all life insurance policies maturing or terminating during the year, provided a free IncomeShield upgrade for all children, and introduced a $1 million "Income Cares Fund" to help our annuitants.

Enhancing our social mission is our corporate social responsibility programme which aims to benefit needy Singaporeans. One example is our $1.16 million contribution to NTUC's U Care programme to help families of poor or retrenched workers.

These contributions came on top of the existing $1.5 million that NTUC Income sets aside yearly for the community, including its support for the Moral Home for the Disabled, its adopted charity since 1992.

Conclusion

We owe our success to the ongoing support and commitment of the National Trades Union Congress, its affiliated unions and co-operatives, our business partners, customers and staff. As we celebrate our 40th Anniversary, we look forward to their continuing support as we work hard to advance Income to new heights of achievements and success.

For and on behalf of the Board of Directors

Ng Kee Choe
Chairman
19 March 2010

2009 Profit & Loss - An Overview

S$ in Million	FY 2009	FY 2008
Insurance Underwriting Profit/(Loss)	**57.2**	**(21.7)**
Interest, Dividend & Other Income	95.4	87.4
Insurance Operating Results	**152.6**	**65.7**
Change in Fair Value Gains/(Losses) of Investments	207.3	(282.0)
Net Operating Surplus/(Deficit) for the Year Before Levy & Expense Restitution	**359.9**	**(216.3)**
Less:		
Restitution of Expenses	(4.3)	(11.1)
Transfer (to)/from Surplus for Future Distribution	(31.5)	3.7
Levy	(35.4)	0.0
Net Surplus/(Deficit) for the year (per Audited Accounts)	**288.7**	**(223.7)**

2009 Profit & Loss - By Funds

S$ in Million	FY 2009	FY 2008
Life Insurance Par Fund	46.2	30.6
Investment Linked Fund	(1.5)	0.0
Life Insurance Non Par Fund	138.4	(19.5)
General Insurance Fund	36.6	(16.5)
Shareholders' Fund	140.2	(210.9)
Net Operating Surplus/(Deficit) for the Year Before Levy & Expense Restitution	**359.9**	**(216.3)**
Less:		
Change in Fair Value (Gains)/Losses of Investments	(207.3)	282.0
Insurance Operating Results	**152.6**	**65.7**

Board of Directors

Ng Kee Choe

Chairman

Mr Ng Kee Choe was first appointed to the Board on 28 May 2004 and was appointed as the Chairman on 20 May 2005.

He was last re-appointed by the Founder Member on 30 May 2008.

Mr Ng is also the Chairman of Singapore Power Ltd and SP AusNet, and President-Commissioner of PT Bank Danamon Indonesia Tbk. His other board directorships include Singapore Airport Terminal Services Ltd and Singapore Exchange Limited. He is also the Chairman of Tanah Merah Country Club, and a member of the Temasek Advisory Panel and the Advisory Council of China Development Bank. Mr Ng was Vice-Chairman of DBS Group Holdings and retired from his executive position in July 2003 after 33 years of service with DBS.

Matthias Yao

Deputy Chairman

Mr Matthias Yao was first appointed to the Board on 15 September 1999 and last re-appointed by the Founder Member on 30 May 2008. He is the Chairman of the Human Resource & Remuneration Committee and the Nominating Committee. He is also a member of the Risk Management Committee and Audit Committee.

Mr Yao is currently the Mayor of South East District and Deputy Speaker of Parliament. In 1999, he was appointed Minister of State in the Prime Minister's Office and served as Deputy Secretary General in NTUC. He left NTUC in 2004 to become the Mayor of South East District. He continues to serve the Labour Movement as the Vice-Chairman of NTUC Club Management Council and is currently an Adviser to five trade unions. He is also a Trustee of the NTUC Eldercare Trust and a Board member of the Housing & Development Board.

Tan Suee Chieh

Director and Chief Executive

Mr Tan Suee Chieh was appointed NTUC Income's Chief Executive in February 2007. He has served on the NTUC Income Board of Directors since 2003 and was last re-elected as director representing the Ordinary and Participating Members on 29 May 2009. He was a past President of the Life Insurance Association of Singapore.

Mr Tan graduated with first class honours from the London School of Economics in 1981 and is a qualified actuary. At the age of 34, he became the first Asian and youngest CEO of Prudential Singapore. He was the managing director for Prudential businesses in Hong Kong, Malaysia and Singapore when he left in 2001 to pursue a Masters in Social Organisational Psychology at the Columbia University in New York. He joined the SHL Group plc in 2003 as President for the Asia Pacific Region.

Mr Tan's current directorships include the Info-communications Development Authority of Singapore and NTUC Choice Homes Co-operative Ltd. Mr Tan is also the Co-Chairman of the Institute of Service Excellence @SMU (ISES) and Vice Chairman of the Singapore Children's Society Executive Committee.

Gabriel Teo

Director

Mr Gabriel Teo was first appointed to the Board on 24 May 2002 and was last re-appointed by the Founder Member on 30 May 2008. He is the Chairman of the Investment Committee and a member of the Nominating Committee and Human Resource & Remuneration Committee. Mr Teo runs his own consultancy firm, Gabriel Teo & Associates Pte Ltd. Prior to starting his own practice, he spent more than 20 years in the banking industry in the region, holding senior appointments with global institutions. He was Head of Corporate Banking at Citibank, Chief Executive Officer of Chase Manhattan Bank and Regional Managing Director of Bankers Trust. Currently, he serves on the boards of several other corporates as well as non-profit organisations.

Tan Peng Heng

Director

Mr Tan Peng Heng was first appointed to the Board on 28 May 2004 and was last re-elected as director representing Institutional Members on 29 May 2009. He is a member of the Human Resource & Remuneration Committee, Nominating Committee and Risk Management Committee. Mr Tan works in Qioptiq Singapore Pte Ltd. He is the Manager of Prototype Department dealing with Electro-Optics research, processes and products development. He is the current President of the Singapore Industrial & Services Employees' Union.

Tan Cheng Han

Director

Mr Tan Cheng Han was first appointed to the Board on 20 May 2005 and was last re-appointed by the Founder Member on 30 May 2008. He is a member of the Audit Committee, Human Resource & Remuneration Committee and Nominating Committee. Mr Tan is currently a Professor and Dean of the National University of Singapore's Faculty of Law, as well as a Senior Counsel and Specialist Judge. He is the Chairman of the Advisory Committee on Move-On and Film Orders, a Commissioner of the Competition Commission of Singapore, and a board member of several listed companies.

Board of Directors

Soh Kim Soon
Director

Mr Soh Kim Soon was first appointed to the Board on 8 August 2006 and was last re-appointed by the Founder Member on 29 May 2009. He is the Chairman of the Risk Management Committee. Mr Soh is currently Chairman of ORIX Investment and Management Private Limited and ORIX Leasing Singapore Limited. He also serves on the boards of EnGro Corporation Limited, Juniper Capital Ventures (Pte) Ltd and Frasers Centrepoint Asset Management Ltd.

Mr Soh was previously a Senior Managing Director with DBS Bank where he held key senior positions in both business and support functions during his 29-year tenure.

Ron Foo
Director

Mr Ron Foo was first appointed to the Board on 8 August, 2006 and was last re-appointed by the Founder Member on 29 May 2009. He is the Chairman of the Audit Committee. Mr Foo was a partner in PricewaterhouseCoopers, Singapore, for more than 22 years before retiring from active service in December 2005. He is presently a director of the Singapore Deposit Insurance Corporation Limited, SIA Engineering Company Limited and SembCorp Marine Ltd and a member of the Competition Appeal Board.

Audrey Chin
Director

Dr Audrey Chin was first elected to the Board as director representing Ordinary and Participating Members on 30 May 2008. She is a member of the Investment Committee and Risk Management Committee. Dr Chin is the Chairman of Vietnam Investing Associates - Financials (S) Pte Ltd. She was previously the Head of Investment Services at Fortis Private Bank and Partner - Asset Allocation Strategies at Pacific Asset Management (S) Pte Ltd, as well as Executive Director of Rossignol Pte Ltd, an investment adviser providing consulting services to institutional fund managers. Between 1994 and 1999, Dr Chin was Division Head, Asset Allocation in the Economics and Strategy Department of the Government of Singapore Investment Corporation.

Dr Chin is currently a Director of K-REIT Asia Management Limited and JC Trust Limited. She holds a PhD in Public Policy from Rand Graduate School.

Philip Eng
Director

Mr Philip Eng was first elected to the Board as director representing Institutional Members on 30 May 2008. He is a member of the Audit Committee and Investment Committee. Mr Eng is the Deputy Chairman of MCL Land Limited and Non-Executive Chairman of mDR Limited and Frasers Centrepoint Asset Management Ltd. He also holds directorships in Hektar Asset Management Sdn Bhd, Chinese Development Assistance Council, OpenNet Pte Ltd, The Hour Glass Ltd, Hup Soon Global Corporation and is a Commissioner of PT Adira Dinamika Multi Finance, Tbk, Indonesia. Mr Eng is currently Singapore's Ambassador to Greece and High Commissioner to Cyprus. He graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

Teo Yock Ngee
Director

Mr Teo Yock Ngee was first elected to the Board as director representing Institutional Members on 29 May 2009. He is a member of the Audit Committee. Mr Teo is the General Secretary of the Amalgamated Union of Public Employees (AUPE). He is also the Secretary for Financial Affairs, NTUC Central Committee.

Mr Teo served as a Nominated Member of Parliament from 2004 to 2006. He is the Chairman of the AUPE Foundation Co-operative Ltd and the AUPE Multi-Purpose Co-operative Society Ltd. He sits on the Board and Management Council of various organisations including NTUC LearningHub Pte Ltd and the NTUC Club. He represents the NTUC Public Sector as a member of the National Wages Council and also sits on the Employee Panel of the Industrial Arbitration Court.

Gong Wee Lik
Director

Mr Gong Wee Lik was first elected to the Board as director representing Institutional Members on 29 May 2009. He is a member of the Risk Management Committee. Mr Gong is the Centric Director for Membership Communities at the NTUC. Prior to joining the NTUC in May 2008, he was the Deputy Managing Director of the Economic Development Board (EDB), responsible for Global Operations and Corporate Development. Between November 1996 and December 1997, Mr Gong also held concurrent appointment as Executive Director of the National Science and Technology Board (now known as Agency for Science, Technology and Research).

Mr Gong is currently a Board member of NTUC Link Pte Ltd.

Corporate Governance

For the financial year ended 31 December 2009

INTRODUCTION

NTUC Income is committed to adopting a high standard of corporate governance consistent with best practices for insurance companies. It recognises the importance of having a set of well-defined corporate governance processes to enhance performance and accountability. Its framework of corporate governance policies and practices is in line with the principles set out in the Guidelines on Corporate Governance issued by the Monetary Authority of Singapore (MAS) and the Insurance (Corporate Governance) Regulations 2005 (ICGR).

The Co-operative believes that good corporate governance is essential to sustaining business performance and safeguarding the interests of its stakeholders. The promotion of corporate transparency, integrity and accountability at all levels of the organisation is led by the Board and assisted by an experienced management team.

BOARD GOVERNANCE

Board Role and Responsibilities

The Board of Directors oversees the affairs of the Co-operative, including setting its strategic direction and long term goals, and reviewing its performance.

Matters that require Board approval include corporate and financial risk taking, material acquisition and disposal of business assets, share issuance, dividend and bonus declarations, investments and risks exceeding delegated limits, and all other matters as required under the Co-operative's by-laws.

The Board exercises stewardship in directing the Co-operative towards achieving its objectives. It ensures that the Co-operative adopts sound corporate governance practices, complies with applicable laws and regulations, and has the necessary measures in place to achieve its objectives. It emphasises professionalism and honesty in all dealings, and at all levels in the organisation so as to sustain the Co-operative's standing, image and reputation.

Board Composition

The Board comprises twelve directors as follows:

Chairman	Ng Kee Choe
Deputy Chairman	Matthias Yao
Directors	Tan Suee Chieh (Chief Executive)
	Gabriel Teo
	Tan Peng Heng
	Tan Cheng Han
	Soh Kim Soon
	Ron Foo
	Audrey Chin
	Philip Eng
	Teo Yock Ngee
	Gong Wee Lik

One director stepped down from the Board in 2009. Mr Lee Mun Hou retired at the Co-operative's Annual General Meeting on 29 May 2009. Two new directors, Mr Teo Yock Ngee and Mr Gong Wee Lik, were elected to the Board at the same Annual General Meeting.

The directors possess a wide spectrum of core competencies such as banking, accounting, insurance, investment, legal, and risk management. There is a good mix of general business background and specialist skills. With their broad knowledge, expertise and experience, Board members provide valuable insights and advice to management.

Corporate Governance

For the financial year ended 31 December 2009

Directors' Independence

The MAS Guidelines on Corporate Governance and the ICGR advocate a strong and independent element on the Board so that it is able to exercise objective judgment independent from management and substantial shareholders. The Nominating Committee (NC) determines the independence of the directors prior to appointment and annually, based on criteria set out in the Corporate Governance Guidelines and ICGR. The NC considers a director independent if he is not related to a substantial shareholder and if he does not have any management or business relationship with the Co-operative and its subsidiaries.

The NC considers all but three directors to be independent. The non-independent directors are Mr Tan Suee Chieh who is the Chief Executive, and Mr Teo Yock Ngee and Mr Gong Wee Lik who are connected to the substantial shareholder.

Board Meetings and Attendance

The Board conducts five scheduled meetings a year and additional meetings are held when deemed necessary. At these meetings, the Board reviews the Co-operative's financial performance, corporate strategy, business plans, strategic operational issues as well as major issues and challenges that the Co-operative may face in the future. Towards the end of the financial year, it also discusses and approves the budget for the coming year. In 2009, a Directors' Retreat was held in July to discuss and agree on fundamental strategic issues. During the course of the year, Board approvals were also obtained through written resolutions approved by circulation.

The directors attend the Annual General Meeting, Board meetings and meetings of the Board Committees on which they serve. Meeting papers, reports and information necessary for the understanding of the matters to be reviewed during the meetings are disseminated in a timely manner, in advance of the meetings.

Directors' Attendance at Board and Board Committee Meetings in 2009

	Board		Audit Committee (AC)		Investment Committee (IC)	
Name of Director	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Ng Kee Choe	5	5	-	-	-	-
Matthias Yao	5	5	5	3	-	-
Tan Suee Chieh	5	5	-	-	7	7
Gabriel Teo	5	5	-	-	7	7
Lee Mun Hou(1)	3	3	-	-	3	2
Tan Peng Heng(2)	5	5	3	3	-	-
Tan Cheng Han	5	3	5	4	-	-
Soh Kim Soon	5	5	-	-	-	-
Ron Foo	5	4	5	5	-	-
Audrey Chin	5	5	-	-	7	7
Philip Eng(3)	5	3	5	5	4	3
Teo Yock Ngee(4)	2	2	2	1	-	-
Gong Wee Lik(5)	2	2	-	-	-	-

@ *Number of meetings held during the period the director was a member of the Board and/or relevant Board Committee*

(1) *Retired as director on 29 May 2009*

(2) *Stepped down as Member of AC and appointed as Member of HRRC on 1 June 2009, and as Member of NC on 30 June 2009*

(3) *Appointed as member of IC on 1 June 2009*

(4) *Elected as director at 39th AGM on 29 May 2009 and appointed as Member of AC on 1 June 2009*

(5) *Elected as director at 39th AGM on 29 May 2009 and appointed as Member of RMC on 1 June 2009*

Corporate Governance

For the financial year ended 31 December 2009

Directors' Attendance at Board and Board Committee Meetings in 2009

Name of Director	Risk Management Committee (RMC)		Nominating Committee (NC)#		Human Resource & Remuneration Committee (HRRC)	
	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Ng Kee Choe	-	-	-	-	-	-
Matthias Yao	4	4	2	2	4	4
Tan Suee Chieh	4	4	-	-	-	-
Gabriel Teo	-	-	2	2	4	4
Lee Mun Hou(1)	-	-	1	1	2	2
Tan Peng Heng(2)	4	4	-	-	2	1
Tan Cheng Han	-	-	2	2	4	4
Soh Kim Soon	4	4	-	-	-	-
Ron Foo	-	-	-	-	-	-
Audrey Chin	4	4	-	-	-	-
Philip Eng	-	-	-	-	-	-
Teo Yock Ngee(3)	-	-	-	-	-	-
Gong Wee Lik(4)	2	2	-	-	-	-

@ *Number of meetings held during the period the director was a member of the Board and/or relevant Board Committee*

\# *Additional approvals from NC were obtained via circulation*

(1) *Retired as director on 29 May 2009*

(2) *Stepped down as Member of AC and appointed as Member of HRRC on 1 June 2009, and as Member of NC on 30 June 2009*

(3) *Elected as director at 39th AGM on 29 May 2009 and appointed as Member of AC on 1 June 2009*

(4) *Elected as director at 39th AGM on 29 May 2009 and appointed as Member of RMC on 1 June 2009*

Chairman and Chief Executive

The roles of the Chairman and Chief Executive (CEO) are clearly separate. This is consistent with the principle of ensuring a balance of power and authority. It also provides for greater accountability and independent decision making. The Chairman, Mr Ng Kee Choe, is an independent non-executive director, while the CEO, Mr Tan Suee Chieh, is a non independent executive director.

The Chairman leads the Board and ensures its effectiveness in all aspects of its role. He promotes high standards of corporate governance and steers the Board towards making sound decisions. He ensures that active and comprehensive discussions are held on all matters brought up to the Board, and encourages constructive relations between the Board and senior management.

The Chairman plays a key role at Annual General Meetings in fostering constructive dialogue between the members of the Co-operative, the Board and senior management. Members' questions and concerns are addressed at these meetings.

The CEO is the most senior executive and assumes executive responsibility for the Co-operative's business. He oversees the execution of the Co-operative's corporate and business strategy and is overall responsible for managing its operations.

Board Training

New directors are provided with structured training which includes introductory information on the Co-operative, briefings by senior management on the Co-operative's corporate profile, key performance measures and operations. A half day induction program was conducted in 2009 for the two newly elected directors covering topics such as cultural and organisational change, strategy, business plan and risk management.

Management ensures that the Board receives regular reports on the Co-operative's financial performance and operations, and is provided with relevant information to facilitate discussions on specific matters and issues. The Board is also regularly briefed on accounting and regulatory changes, as well as on major industry and market developments. Information on appropriate external training courses and seminars is also circulated to the Board.

Board Performance

The Board has implemented an annual evaluation process which is carried out by the NC to assess the performance and effectiveness of the Board as a whole. All directors participate in the evaluation which is conducted through confidential completion of a questionnaire. The evaluation results and feedback are collated and presented for discussion by the NC. The results of the evaluation exercise are also presented to the Board for discussion.

BOARD COMMITTEES

The Board has established five Board Committees to assist it in the discharge of its duties and to enhance the Co-operative's corporate governance framework. The five Board Committees are the Audit, Investment, Risk Management, Nominating, and Human Resource and Remuneration Committees.

The composition of the Board Committees satisfies the independence requirements stipulated in the Guidelines on Corporate Governance and the ICGR.

Each of the Committees has its own written terms of reference which describe its responsibilities. The minutes of Board Committee meetings are circulated to the Board.

Audit Committee

The Audit Committee (AC) comprises five members as follows:

Chairman	Ron Foo
Members	Matthias Yao
	Tan Cheng Han
	Philip Eng
	Teo Yock Ngee (appointed on 1 June 2009)

The AC operates within the Board-approved written terms of reference which set out the AC's authority and responsibilities as prescribed in the Code of Corporate Governance issued by MAS in 2005 for all major insurers.

The key duties and responsibilities of the AC are:

- To review the audit plan, results and cost-effectiveness of external audits, as well as the independence and objectivity of external auditors, on both audit and non-audit services
- To review with internal and external auditors significant accounting and financial reporting issues.
- To review with Management and the external auditors the financial statements of the Co-operative.
- To review with internal and external auditors their evaluation of the adequacy and effectiveness of the material financial, operational and compliance controls, including the review of corporate whistle-blowing arrangements which staff may in confidence raise concerns about possible improprieties relating to financial reporting, controls or any other matters.
- To review and ensure the effectiveness of the internal audit function in terms of its organisational independence, resources, capability, practices and work plans.
- To make recommendations to the Board on the appointment, re-appointment or removal of external auditors and approving the remuneration and terms of engagement of the external auditors.
- To review all material related party transactions and keep the Board informed of such transactions.

The AC met five times during the year. Internal auditors, the Chief Executive and certain senior management executives attended these meetings. The external auditors attended four of these meetings.

During the year, the AC reviewed with management the quarterly management reports, financial statements, significant accounting policies and estimates. The external auditors' audit plan, the management letter and management's response were presented to the AC and discussed with both the management and the external auditors. The AC also reviewed the internal audit plan, scope of internal audit activities and reports of internal audits and follow up reviews performed by internal audit. The AC ensures that there are processes in place for ensuring that recommendations made by internal audit, external audit and MAS are effectively dealt with on a timely manner.

The AC believes that, in the absence of evidence to the contrary, the system of internal controls maintained by the Co-operative's management and which was in place throughout the financial year up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risk. The AC notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Investment Committee
The Investment Committee (IC) comprises seven members as follows:

Chairman	Gabriel Teo
Members	Tan Suee Chieh (Chief Executive)
	Audrey Chin
	Philip Eng (appointed on 1 June 2009)
	Ken Ng (Chief Actuary)
	Peter Michael Heng (Chief Investment Officer)
	Lau Wing Tat (Independent Member)

The key duties and responsibilities of the IC are:

- To recommend the investment policy for approval by the Board and ensure that the approved investment policy is implemented in an appropriate manner.
- To review the investment policy and performance on a regular basis so that it remains appropriate, recognizing among other things, changes in business profile and the economic environment.
- To ensure the investment policy is consistent with the asset liability management strategies, including for new products where appropriate.
- To ensure the investment policy of the participating fund is consistent with bonus strategy
- To assist the Board of Directors to discharge its responsibilities under the MAS Notice 317 through yearly review of the adequacy and relevance of the investment policy of Income - in terms of overall risk tolerance, long-term risk-return requirements and solvency position – in the light of business activities and risk profile, and present its review to the Board of Directors.
- To ensure that internal control systems and risk management functions overseeing investment related activities are adequate and appropriate.
- To ensure resources dedicated to the investment activities of the insurer are sufficient to implement and manage the approved investment policy and any other activities requested by the Board of Directors.

The IC is authorised to make all investment decisions as delegated by the Board with the exception of major property investments exceeding S$250m in a single transaction. The IC will report to the Board any transaction of material consequence. The IC has the discretion to refer to the Board for approval for transactions which may have wider implications beyond pure investment considerations.

The IC held a total of five regular meetings and two special meetings during the year. The special meetings were held primarily to review the strategic asset allocation policy during the global financial crisis and to assess and mitigate where possible the impact of the financial market meltdown, as well as over the medium term, under normal economic conditions, as the financial crisis subsided. The Committee considered a number of specific and major investment proposals, including property investment proposals. In addition, the IC also reviewed the investment philosophy and asset liability management philosophy to ensure that it remained appropriate and effective over the medium term.

Corporate Governance

For the financial year ended 31 December 2009

Risk Management Committee

The Risk Management Committee (RMC) comprises six members as follows:

Chairman	Soh Kim Soon
Members	Matthias Yao
	Tan Suee Chieh (Chief Executive)
	Tan Peng Heng
	Audrey Chin
	Gong Wee Lik (appointed on 1 June 2009)

The Board delegates its risk review and oversight function to the RMC while retaining the ultimate authority.

The Risk Management Committee (RMC) exercises the authority delegated by the Board to provide oversight on the risk management framework and policies, to cover all material risks that include market, credit, insurance and operational risks.

The key duties and responsibilities of the RMC are:

- To approve the framework and policies for risk management
- To ensure management has established adequate system and processes to implement robust risk management
- To identify, monitor, control and report key risks
- To highlight to the Board of Directors issues of concern on key business risks

The Chief Risk Officer has direct reporting relationship to the Principal Officer and has direct access to the RMC, as the key person supporting the management and Board on risk issues.

Nominating Committee

The Nominating Committee (NC) comprises four members as follows:

Chairman	Matthias Yao
Members	Gabriel Teo
	Tan Peng Heng (appointed on 30 June 2009)
	Tan Cheng Han

The key duties and responsibilities of the NC are:

- To make recommendations to the Board on all Board appointments and re-appointments including the appointment of members of the Board Committees.
- To determine the criteria to be applied in identifying suitable candidates, reviewing nominations and re-nominations for appointments to the Board and Board Committees
- To ensure that each nominee is fit and proper and is the best and most qualified candidate nominated for the office, taking into account the candidate's contribution and performance, including his track record, age, experience, capabilities and other factors as may be deemed relevant
- To decide how the performance of the Board of Directors may be evaluated and propose performance criteria to the Board for approval
- To determine annually the independence of each director based on the definition and criteria set out in the provisions of the Insurance (Corporate Governance) Regulations 2005
- To ensure that all directors who continue in service submit themselves for re-nomination and re-election at regular intervals and at least every three years
- To decide whether a director who serves on multiple boards is able to and has been adequately discharging his or her duties, based on internal guidelines which address the competing time commitments that are faced when directors serve on multiple boards.

The NC assists the Board to evaluate the suitability of candidates for appointment to the Board by ensuring that competent and qualified individuals capable of contributing to the success of the organisation are considered. It reviews and recommends all director appointments for the Board's endorsement. It also ensures that the composition of the Board comprises a diverse range of expertise so that management can tap on the knowledge and experience of Board members.

Corporate Governance

For the financial year ended 31 December 2009

In keeping with good corporate governance, all directors are subject to re-nomination and re-election once every three years. In addition, all new appointments to the Board require the approval of the MAS. Although some directors have multiple board representations, the NC is satisfied that these directors are able to devote adequate time and attention to fulfill their duties as directors of the Co-operative.

The NC met twice during the year. It reviewed and recommended the appointments of Mr Teo Yock Ngee and Mr Gong Wee Lik to the Board. The recommendation was endorsed by the Board and approved by the MAS. The NC also reviewed the results of the annual Board evaluation exercise.

Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee (HRRC) comprises four members as follows:

Chairman	Matthias Yao
Members	Gabriel Teo
	Tan Peng Heng (appointed on 1 June 2009)
	Tan Cheng Han

The key duties and responsibilities of the HRRC are:

- To review and recommend a framework for determining the remuneration of non-executive directors and Chief Executive Officer
- To review and recommend to the Board of Directors the remuneration plan for the Chief Executive Officer
- To review and approve the remuneration plans for senior management, defined as Senior Vice Presidents and above
- To provide oversight on talent management and development of senior management
- To review and approve succession plans for senior management
- To review and approve appointments and terminations to senior management
- To review and recommend the remuneration of non-executive directors to members for approval at the Annual General Meeting

The HRRC met four times during the year. The key areas reviewed were long term incentive plan, talent management framework and retention strategy.

REMUNERATION POLICY

Employees' Remuneration

The Co-operative's policy is to remunerate its employees at competitive and appropriate levels, commensurate with their performance and contribution. It seeks to attract, motivate, reward and retain quality staff and foster a performance-oriented culture across the organisation. The total compensation package for employees comprises basic salary, fixed and variable bonuses, as well as other staff benefits. To ensure that its remuneration package is competitive, the Co-operative regularly reviews its base salary ranges and benefits package based on market data.

Remuneration of Non-Executive Directors

The remuneration of non-executive directors is based on a fee structure recommended by the National Trades Union Congress (NTUC) as the Founder Member of the NTUC Co-operatives. The structure is approved by the Registrar of Co-operative Societies and final approval is by members at the Annual General Meeting.

The approved fee structure for non-executive directors in 2009 was as follows:
$32,000 per annum to Chairman
$28,000 per annum to Deputy Chairman / Chairman of Investment, Audit, or Risk Management Committee
$24,000 per annum to Member of Investment, Audit, or Risk Management Committee / Chairmen of other Board Committees
$20,000 per annum to Member of other Board Committees

In addition, an attendance fee of $50 was paid per attendance at Board meetings. There were 5 Board meetings in 2009.

Corporate Governance

For the financial year ended 31 December 2009

Non – Executive Directors' Remuneration for 2009

Name of Director	Directors' Fees	Fees for attendance at Board meetings	Total Remuneration
Ng Kee Choe	$32,000.00	$250	$32,250.00
Matthias Yao	$28,000.00	$250	$28,250.00
Gabriel Teo	$28,000.00	$250	$28,250.00
Tan Peng Heng	$24,000.00	$250	$24,250.00
Tan Cheng Han	$24,000.00	$150	$24,150.00
Soh Kim Soon	$28,000.00	$250	$28,250.00
Ron Foo	$28,000.00	$200	$28,200.00
Audrey Chin	$24,000.00	$250	$24,250.00
Philip Eng	$24,000.00	$150	$24,150.00
Teo Yock Ngee(1)	$14,202.74	$100	$14,302.74
Gong Wee Lik(1)	$14,202.74	$100	$14,302.74
Lee Mun Hou(2)	$9,797.26	$150	$9,947.26

(1) Elected as director at the 39th AGM on 29 May 2009

(2) Retired as director on 29 May 2009

Immediate Family Member of Director

The Co-operative did not employ any immediate family member of a director in 2009.

Remuneration of Key Executives

The Corporate Governance Guidelines recommend that the remuneration of at least the top five key executives be disclosed within bands of $250,000. After careful consideration, the Board has decided not to disclose information on the remuneration of the top five key executives as the disadvantages to the Co-operative's business interests would far outweigh the benefits of such disclosure in view of the disparities in remuneration in the industry and the competitive pressures that are likely to result from such disclosure.

COMMUNICATION WITH MEMBERS

Members of the Co-operative can access relevant information on the Co-operative at its website at www.income.com.sg. Members are also given the opportunity to participate actively at the Co-operative's Annual General Meetings where they can ask questions and communicate their views. The directors, senior management and external auditors are present at these meetings to address queries and concerns raised by members.

RISK MANAGEMENT STRATEGY

Risk Management Overview

Risk management is a key element of our corporate management. The role of risk management is to ensure risks are properly identified, assessed, controlled and mitigated, so as to safeguard our financial strength and business continuity and enable us to fulfill our obligations to our customers and stakeholders. We achieve these objectives through having a risk management framework that encompasses all key areas of our operations.

This Risk Management Strategy, as formulated by the Board Risk Management Committee (RMC) and approved by the Board, serves to ensure that the risk management framework, processes and controls are in place to identify, assess and manage material risks consistently across all business activities.

Risk Management Principles

Risk is defined as events which have a range of probabilistic outcomes, some of which have a negative impact on the organisation. Risk is a key part of our business and the objective of risk management is to ensure that these risks are properly identified, assessed, controlled or mitigated.

Under the risk management framework, risks are classified under five broad categories which are considered to be most central to our business:

1. Market Risk
2. Insurance Risk
3. Credit Risk
4. Operational Risk
5. Reputation Risk

Risk Appetite

- We target to assume risks which in aggregate are at levels prudent in relation to our capital strength, and which are aligned with our operational capabilities, and for which we are appropriately compensated.

- Specific risk strategies and appetite are established for each of the categories of risk. They set the boundaries within which management are expected to operate as they seek to deliver NTUC Income's business objectives.

- Each of the business lines is responsible for ensuring their business strategies align with the established risk appetite, for thoroughly evaluating and managing all risk exposures consistent with our enterprise risk policies and for earning economic returns commensurate with the level of risk assumed.

- A formal review of our risk appetite and quality of risks is undertaken on a regular basis.

- Annual review for policies and procedures that facilitate the identification and mitigation of material risks, and those relating to the monitoring and reporting of risk issues are conducted.

Role and Responsibility

The Risk Management Committee provides Board level oversight to risk management. The Risk & Compliance Committee is a management committee responsible for implementation and operationalisation of the risk management strategy. The Chief Risk Officer and the risk management team are accountable to both committees and have primary accountability to ensure that objectives of the committees are met.

The role of the Risk Management Committee is to:

- Approve and review on a regular basis the NTUC Income Risk Management Strategy, which should be commensurate with the size and nature of its activities.
- Provide oversight of material risks taken by the company and set risk management policies to ensure they are consistent with the business strategies approved by the Board.

The role of the Risk & Compliance Committee is to implement the Risk Management Strategy through:

- Institution of appropriate processes and procedures.
- Review of material risk evaluation methodologies and approval processes.
- Monitor, review and reporting of risk exposures and limits
- Shape and promote appropriate risk culture throughout the organisation

The Chief Risk Officer, supported by the Risk Management team:

- Establishes and maintains our enterprise risk management framework, key risk register, and individual risk management strategies for each broad risk category.
- Has oversight of the execution of these risk management strategies across the enterprise.
- Proactively partners with business units to ensure a consistent enterprise-wide assessment of risk and risk based capital.

Management and Mitigating of Specific Risk Categories

1. Market Risk

   Market Risk is the risk to NTUC Income's financial condition arising from adverse movements in the level or volatility of market prices and long term investment performance.

This risk is managed through the confluence of investment and liability management strategies (including bonus strategy for participating business).

The Investment Committee approves policies governing asset and liability risk management. The Chief Actuary ensures that the liability considerations are fully incorporated into investment decisions. Asset liabilities studies are carried out on a regular basis to aid decision making.

2. Insurance Risk
   Insurance risk refers to the payment of claim upon a contingent, uncontrollable event, in return for a premium. The assumption of insurance risk to earn an economic profit is our core business. This risk is managed through the combination of underwriting and pricing.

   The Insurance Risk Policy sets out the types of risks that are acceptable to us, the limits of our retention and how new risks are to be evaluated and approved.

3. Credit Risk
   Credit risk is the risk of default by borrowers and transactional counterparties as well as the loss of value of financial assets due to deterioration in credit quality.

   The Counterparty Risk Policy puts in place a robust process of rating to be applied to credit exposure. Each credit is rated and assigned a limit which will be aggregated and monitored across different sources of counterparty risk. Absolute limits are set according to our evaluation of the credit worthiness.

4. Operational Risk
   Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The key operational risks are due to system failure or information security breaches, as well as legal or regulatory risks.

Operational Risks are managed through:

- Establishing and executing enterprise-wide risk management strategies for specific operational risks that could materially impact our ability to do business or impact our reputation.

- Self Risk Assessment
  Division heads are accountable for the day-to-day management of the operational risks inherent in their operations. They identify, assess, and design controls and action plans for the inherent operational risks and to achieve effective internal controls.

- Active engagement of the Compliance, Investment Middle Office and Legal functions in the review of new products and development of operational risk management tools and mitigation strategies.

- Risk audits by the Risk Management function on specific areas of concern to identify possible gaps or weaknesses.

5 Reputation Risk
   Our business relies on our reputation and the trust our policyholders place in us for their financial security. We are committed to continue to earn this trust by reinforcing fair and ethical practices, supported by strong compliance and corporate governance structures and processes.

The risk management strategy ensures that risks are properly identified, assessed, controlled and mitigated. The strategy is tailored to our organisation and business structure to ensure that it is relevant and effective. From time to time, we will review the strategy to ensure that it remains so and it does provide the safeguards and assurances that our business is soundly run.

Appointed Actuary's Report

For the financial year ended 31 December 2009

I am pleased to submit my report on the financial health of the Co-operative.

For the year 2009, the financial crisis continues in the earlier part of the year with the economy showing signs of recovery in the 2nd half of 2009. The Co-operative remains sound and insurance contract provisions are sufficient to meet future obligations. The overall growth in our assets is $3.0 billion and in our insurance contract provision is $2.9 billion.

Insurance Funds	* Net Assets ($mil)			Insurance Contract Provisions ($mil)		
	31-Dec-08	**31-Dec-09**	% change	31-Dec-08	**31-Dec-09**	% change
Life Insurance Funds						
Participating Fund	15,864	**18,383**	15.9%	15,761^	**18,241**	15.7%
Non-Participating Fund	1,326	**1,555**	17.3%	870	**983**	13.0%
Investment-Linked Fund	945	**1,270**	34.4%	945	**1,267**	34.1%
General Insurance Fund	1,037	**1,056**	1.8%	540	**538**	-0.4%
Total Insurance Funds	19,172	**22,264**	16.1%	18,116	**21,029**	16.1%

* Net Assets is the assets net of other liabilities.

^ Includes Investment contract liabilities of $245 million.

The insurance contract provisions are based on statutory risk-based capital (RBC) liability valuation, taking account of all contractual liabilities. For Life Insurance Participating Fund, total insurance contract provisions include non-guaranteed policy liabilities and an allowance for future bonuses. This year, we have updated our bonus rates, lapse and management expense assumptions. The net effect of these changes has been to reduce the insurance contract provisions by $55.4 million.

One of my duties as the Appointed Actuary is to recommend to the Board, the bonus rates to be allocated to the Co-operative's participating policyholders. In making these recommendations, I follow a set of principles based on fairness and sustainability of bonus rates. These principles are unchanged from previous years.

Over the last two years, I recommended the restructuring of bonuses for certain policies from annual bonus towards special bonuses. The objective of this change is to enhance financial strength, increase the flexibility of investment policy with the potential to translate into better benefits for policyholders in the long term. The increased financial strength will increase the ability of the fund to navigate market volatility such as the financial crisis we saw in the earlier half of 2009, although the severity of this crisis and the speed at which it unfolded was not widely anticipated.

Despite the market turmoil, the total return on the Life Insurance Participating Fund in 2009 was healthy at 12.0%. The outlook for the short to medium term is uncertain and interest rates remain low. As long term investors, we do look to average the performance over the long term horizon and it is this which drives our bonus allocation. Short term fluctuations will be smoothed out.

With this in mind, the level of policy payouts on death, maturities and surrenders is maintained and special bonuses for policies where bonuses were restructured in 2009 have been increased to compensate for reduced annual bonuses. I am able to make this recommendation because the new bonus structure is more flexible and bonus allocations can be made in a more targeted way.

The bonus rates I have recommended are set out in Appendix A, and the total cost of the bonus I recommended this year amounted to $415.5 million ($271.0 million in 2008). This includes $45.1 million bonus paid in anticipation of surplus for terminating policies in year 2009. In addition, a 40th Anniversary special bonus amounted to $123.0 million will be declared as annual bonus and $8.6 million will be paid as cash bonus on participating life insurance policies in force as at 31 December 2009.

Appointed Actuary's Report

For the financial year ended 31 December 2009

A summary of the financials after taking account of the cost of bonus:

(in $ million)	Life Insurance Participating Fund	Life Insurance Non-Par Fund	Investment Linked Fund	General Insurance Fund
Accumulated Surplus held in Insurance Funds as at 31 Dec 2008	103.6*	63.7	0	497.5
Add Investment Income from Surplus Account	0.2	NA	NA	NA
Add Net Surplus for the year ^	46.1	107.0	3.5	27.3
Less transfer to Shareholders' Fund	8.4	21.4	0	7.3
Accumulated Surplus held in Insurance Funds as at 31 Dec 2009	141.5*	149.3	3.5	517.5

* Balance in the participating fund Surplus Account belongs to the participating fund policyholders.

^ Net of Allocation of management expenses and Surplus for future distribution, excluding investment income from surplus account.

I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $46.1 million, to the Life Insurance Participating Fund Surplus Account. I also recommended we continue to transfer 18% of this amount (or $8.4 million) to the Shareholders' Fund.

This year, I recommend a transfer to the Shareholders' Fund of $21.4 million from the Life Insurance Non-Participating Fund and $7.3 million from the General Insurance Fund.

This year, as new business are underwritten in the non unit account under the Investment Linked business, I do not recommend any transfer to the Shareholders' Fund from the Investment Linked Fund in order to support the business and maintain the strength of this fund.

KEN NG
FIA, FSAS
Appointed Actuary

Singapore,
19 March 2010

Appointed Actuary's Report

For the financial year ended 31 December 2009

Appendix A

Bonus Rates

(a) Annual bonus and Compounding rates

Bonus Series	2009 Annual Bonus Rates	2009 Compounding Rates
EV – Ltd Pay Living/Protection (LPLP)	$13	1.30%
EV – PayMyUni	$13	1.30%
EV – Revosave	$13	1.30%
EV – Vivolife	$7	0.70%
EV – SAiL	$16	1.60%
LP – Whole Life Policy	$13	1.30%
LP – Harvest Policy (Ver 1)	$11	1.10%
LP – Growth Policy	$10	1.00%
LP – Endowment & Harvest Policy (Ver 2)	$13	1.30%
CB – Whole Life Policy	$15	1.50%
CB – Others	$15	1.50%
DP – Whole Life Policy	$15	1.50%
DP – Others	$15	1.50%
SB – Whole Life Policy	$15	1.50%
SB – Others	$15	1.50%
AD	$40	4.75%
Annuity – Y	0.00%	0.00%
Annuity – H	1.00%	1.00%
Annuity – K	2.50%	2.50%
Annuity – K1	2.00%	2.00%
Paid-up policies	$0	0.00%

Note:

- Annual bonus rates are quoted per $1000 sum assured. For participating annuities, they are quoted as percentage addition to monthly annuity payment.
- There are special features for some plans and bonus series.

These bonuses will be declared on policies in force as at 31 December 2009. They will vest on 1 April 2010 or the second policy anniversary of the policy, whichever is later. For regular premium policies, it is subject to payment of the full year's premium to the policy anniversary in 2009. For annuities, bonus is added on their policy anniversaries from 1 April 2010 to 31 March 2011.

(b) Terminal Bonus

LP Series

Policy Year	For Deaths & Maturities			For Surrenders		
	Whole Life	Endowment, Harvest (v2)	Growth Harvest (v1)	Whole Life	Endowment Harvest (v2)	Growth Harvest (v1)
5	100%	77%	83%	60%	42%	46%
10	61%	50%	52%	48%	38%	40%
15	49%	42%	43%	37%	31%	32%
20	44%	38%	39%	44%	38%	39%
25	41%	36%	36%	41%	36%	36%
30	39%	35%	35%	39%	35%	35%
35	38%	34%	34%	38%	34%	34%
40	37%	33%	33%	37%	33%	33%

Appointed Actuary's Report

For the financial year ended 31 December 2009

Appendix A (continued)

Bonus Rates (continued)

(b) ***Terminal Bonus*** (continued)

CB Series

Policy Year	For Deaths & Maturities		For Surrenders	
	Whole Life	Endowment	Whole Life	Endowment
5	69%	62%	35%	30%
10	45%	41%	16%	13%
15	37%	34%	26%	24%
20	33%	32%	23%	21%
25	32%	30%	32%	30%
30	31%	30%	31%	30%
35	NA	NA	NA	NA
40	NA	NA	NA	NA

EV Series

Policy Year	For Deaths & Maturities					For Surrenders				
	Ltd Pay Whole Life	PayMyUni	Revosave	Vivolife	SAiL	Ltd Pay Whole Life	PayMyUni	Revosave	Vivolife	SAiL
5	146%	156%	80%	0%	185%	90%	95%	30%	0%	170%
10	155%	165%	125%	50%	195%	99%	102%	70%	0%	180%
15	165%	166%	150%	100%	240%	110%	109%	105%	50%	220%
20	176%	187%	170%	150%	285%	155%	120%	145%	100%	266%
25	187%	197%	188%	185%	332%	176%	185%	175%	150%	316%
30	200%	NA	NA	185%	384%	188%	NA	NA	185%	374%
35	213%	NA	NA	188%	NA	200%	NA	NA	188%	NA
40	227%	NA	NA	195%	NA	214%	NA	NA	195%	NA

Other Series

Policy Year	For Deaths & Maturities				For Surrenders			
	SB Series (WL)	SB Series (Endowment)	DP Series	AD Series	SB Series (WL)	SB Series (Endowment)	DP Series	AD Series
5	0%	0%	0%	25%	0%	0%	0%	NA
10	0%	0%	0%	25%	0%	0%	0%	15%
15	0%	28%	28%	25%	0%	18%	17%	15%
20	28%	27%	27%	25%	18%	17%	17%	25%
25	28%	27%	27%	25%	28%	27%	27%	25%
30	27%	27%	27%	25%	27%	27%	27%	25%
35	27%	27%	26%	25%	27%	27%	26%	25%
40	27%	NA	NA	25%	27%	NA	NA	25%

Special bonus above is calculated as percentage of accumulated bonus, and applicable to the policies reaching the specified events above during year 2010.

Appendix A (continued)

Bonus Rates (continued)

(c) 40th Anniversary Special Bonus

(i) Annual Bonus

For Life Participating Whole Life and Endowment Plans except SAIL

Entry Year	Per $1,000 Sum Assured
2005 & earlier	$10
2006	$8
2007	$6
2008	$4
2009	**$2**

SAIL

Entry Year	Per $1,000 Single Premium
2009	**$2**

These bonuses will be declared on participating policies in force as at 31 December 2009, excluding paid-up and annuity policies. They will vest on 1 April 2010 or the second anniversary of the policy, whichever is latter.

For the Special Endowment and Pioneer plan, the bonus is calculated on 20% and 50% of the sum assured.

(ii) Cash Bonus

Years in force**	Cash Payment*
39	500
38	500
37	400
36	300
35	200
30 to 34	100
25 to 29	50
20 to 24	50
15 to 19	25
10 to 14	25

* Cash Bonus is given out on a Per Policyholder basis.

** Years in force refers to the policy with the longest in force duration if the Policyholder has more than 1 policy.

These bonuses will be declared on participating policies in force as at 31 December 2009, excluding paid-up and annuity policies.

Statement By Directors

For the financial year ended 31 December 2009

In the opinion of the directors,

(a) the consolidated financial statements of the Group as set out on pages 22 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended 31 December 2009; and

(b) at the date of this statement, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Ng Kee Choe
Chairman

Ron Foo
Director

Tan Suee Chieh
Principal Officer

Singapore,
19 March 2010

Independent Auditor's Report

To the shareholders of NTUC Income Insurance Co-operative Limited

We have audited the financial statements of NTUC Income Insurance Co-operative Limited and its subsidiaries (the "Group") set out on pages 22 to 89, which comprise the consolidated balance sheet of the Group as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

As stated in Note 2(s) and 17 of the financial statements, the share capital and treasury shares of the Co-operative do not qualify as equity in accordance with the provisions of Financial Reporting Standard 32, Financial Instruments : Presentation, and should instead be classified as financial liabilities. Had it been done, the share capital of $438,613,000 (2008: $437,961,000) and the corresponding treasury shares of $14,159,000 (2008: $14,088,000) would be reflected as liabilities, and dividends paid of $12,898,000 (2008: $26,149,000) would be reflected as a finance cost in the respective preceding years instead of a distribution to participating members.

Independent Auditor's Report

To the shareholders of NTUC Income Insurance Co-operative Limited

Opinion (continued)

In our opinion,

(a) except for the presentation of the share capital and treasury shares as equity, and dividends as a distribution to participating members, the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2009, and the results, changes in equity and cash flows of the Group for the financial year ended on that date;

(b) proper accounting and other records have been kept; and

(c) the receipts, expenditure and investment of monies and the acquisition of assets by the Co-operative and the Group during the financial year have been in accordance with the By-laws of the Co-operative and the provisions of the Co-operative Societies Act, Chapter 62.

PricewaterhouseCoopers LLP
Public Accountants and
Certified Public Accountants

Singapore,
19 March 2010

Consolidated Balance Sheet

As at 31 December 2009

	Note	The Group 2009 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	**13,669**	-	-	-	-	**13,669**
Intangible assets	6	**20,810**	-	-	-	-	**20,810**
Investment properties	7	**1,018,632**	-	-	-	-	**1,018,632**
Investment in associated companies	9	**273,523**	-	-	-	-	**273,523**
Other financial assets	10	**15,445,435**	**1,503,481**	**1,234,494**	**999,065**	**357,875**	**19,540,350**
Loans	11	**761,990**	-	-	**1,229**	**82**	**763,301**
Derivative financial instruments	12	**100,957**	**965**	**1,339**	**1,028**	**912**	**105,201**
Reinsurers' share of insurance contract provisions	13	-	-	-	**38,371**	-	**38,371**
Insurance and other receivables	14	**98,160**	**29,501**	**19,194**	**13,401**	**39,422**	**199,678**
Cash and cash equivalents	15	**924,912**	**88,457**	**31,569**	**80,890**	**31,621**	**1,157,449**
		18,658,088	**1,622,404**	**1,286,596**	**1,133,984**	**429,912**	**23,130,984**
LIABILITIES							
Insurance contract provisions	13	**17,996,919**	**982,595**	**1,266,590**	**576,628**	-	**20,822,732**
Investment contract liabilities		**244,527**	-	-	-	-	**244,527**
Derivative financial instruments	12	**63,102**	-	**2,340**	-	**1,978**	**67,420**
Insurance and other payables	16	**212,062**	**67,586**	**14,206**	**39,901**	**45,636**	**379,391**
		18,516,610	**1,050,181**	**1,283,136**	**616,529**	**47,614**	**21,514,070**
NET ASSETS		**141,478**	**572,223**	**3,460**	**517,455**	**382,298**	**1,616,914**
SHARE CAPITAL AND RESERVES							
Share capital	17	-	-	-	-	**438,613**	**438,613**
Treasury shares		-	-	-	-	**(14,159)**	**(14,159)**
Reserves for future distribution	18	-	**422,957**	-	-	-	**422,957**
Accumulated loss of shareholders' fund	25	-	-	-	-	**(42,156)**	**(42,156)**
Accumulated surplus of insurance funds - Life insurance par fund	24	**141,478**	-	-	-	-	**141,478**
- Other insurance funds	25	-	**149,266**	**3,460**	**517,455**	-	**670,181**
		141,478	**572,223**	**3,460**	**517,455**	**382,298**	**1,616,914**

Consolidated Balance Sheet

As at 31 December 2009

	Note	The Group 2008 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	17,660	-	-	-	-	17,660
Intangible assets	6	12,078	-	-	-	-	12,078
Investment properties	7	1,091,922	-	-	-	-	1,091,922
Investment in associated companies	9	225,206	-	-	20,000	128	245,334
Other financial assets	10	12,722,398	1,270,434	910,313	950,066	240,514	16,093,725
Loans	11	792,613	-	-	1,551	119	794,283
Derivative financial instruments	12	234,661	1,098	11,074	891	7,354	255,078
Reinsurers' share of insurance contract provisions	13	-	-	-	30,720	-	30,720
Insurance and other receivables	14	131,447	40,096	9,206	25,828	10,158	216,735
Cash and cash equivalents	15	1,085,023	66,981	49,100	73,149	14,432	1,288,685
		16,313,008	1,378,609	979,693	1,102,205	272,705	20,046,220
LIABILITIES							
Insurance contract provisions	13	15,514,688	870,487	945,320	570,553	-	17,901,048
Investment contract liabilities		246,049	-	-	-	-	246,049
Derivative financial instruments	12	174,578	-	9,552	-	5,052	189,182
Insurance and other payables	16	274,046	52,937	24,821	34,182	14,919	400,905
		16,209,361	923,424	979,693	604,735	19,971	18,737,184
NET ASSETS		103,647	455,185	-	497,470	252,734	1,309,036
SHARE CAPITAL AND RESERVES							
Share capital	17	-	-	-	-	437,961	437,961
Treasury shares		-	-	-	-	(14,088)	(14,088)
Reserves for future distribution	18	-	391,480	-	-	-	391,480
Accumulated loss of shareholders' fund	25	-	-	-	-	(171,139)	(171,139)
Accumulated surplus of insurance funds - Life insurance par fund	24	103,647	-	-	-	-	103,647
- Other insurance funds	25	-	63,705	-	497,470	-	561,175
		103,647	455,185	-	497,470	252,734	1,309,036

Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2009

		The Group 2009					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Gross premiums		2,196,304	502,543	106,559	330,198	-	3,135,604
Reinsurance premiums		(8,252)	(99,780)	-	(21,476)	-	(129,508)
Net premiums		2,188,052	402,763	106,559	308,722	-	3,006,096
Fee and other income	19	17,149	765	-	4,680	-	22,594
Net investment income and fair value gains	20	1,952,163	131,444	303,105	23,888	141,925	2,552,525
Total		4,157,364	534,972	409,664	337,290	141,925	5,581,215
Benefits and claims							
Gross claims, surrenders and annuities		1,563,343	255,004	88,020	207,706	-	2,114,073
Bonus to policyholders	13	370,400	-	-	-	-	370,400
Increase in insurance contract provisions	13	2,048,454	136,074	321,270	29,752	-	2,535,550
Less: Reinsurers' share of insurance benefits and claims		(2,015)	(56,119)	-	(13,939)	-	(72,073)
Net insurance benefits and claims		3,980,182	334,959	409,290	223,519	-	4,947,950
Less: Expenses							
Selling expenses		80,402	17,471	736	32,143	-	130,752
Management expenses	21	50,549	44,116	1,178	45,001	1,780	142,624
Total claims and expenses		4,111,133	396,546	411,204	300,663	1,780	5,221,326
Net operating surplus / (loss)		46,231	138,426	(1,540)	36,627	140,145	359,889
Allocation of management and selling expenses	13	4,317	-	-	(4,317)	-	-
Transfer to insurance contract provisions	13	(20,492)	-	-	-	-	(20,492)
Transfer to Shareholders' Fund		(8,400)	(21,388)	-	(7,325)	37,113	-
Transfer between Insurance Fund		-	-	5,000	(5,000)	-	-
Contribution to Central Co-operative Fund		-	-	-	-	(25)	(25)
Contribution to Singapore Labour Foundation		-	-	-	-	(35,352)	(35,352)
Share of result of associated companies		16,175	-	-	-	-	16,175
Net surplus for the year		37,831	117,038	3,460	19,985	141,881	320,195
Other comprehensive income:							
Financial assets, available-for-sale :							
Fair value gain through reserve		42,885	-	-	-	-	42.885
Transfer to reserves for future distribution	18	-	(31,477)	-	-	-	(31,477)
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gains		(42,885)	-	-	-	-	(42,885)
Total comprehensive income		37,831	85,561	3,460	19,985	141,881	288,718

Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2009

	Note	The Group 2008 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share Holders' Fund $'000	Total $'000
Gross premiums		1,857,563	421,460	196,335	269,915	-	2,745,273
Reinsurance premiums		(8,200)	(86,796)	-	(28,082)	-	(123,078)
Net premiums		1,849,363	334,664	196,335	241,833	-	2,622,195
Fee and other income	19	22,349	492	-	4,094	-	26,935
Net investment (losses)/ income and fair value (losses)/gains	20	(1,924,686)	(35,609)	(386,144)	44,412	(208,570)	(2,510,597)
Total		(52,974)	299,547	(189,809)	290,339	(208,570)	138,533
Benefits and claims							
Gross claims, surrenders and annuities		817,185	223,064	150,623	203,552	-	1,394,424
Bonus to policyholders	13	236,516	-	-	-	-	236,516
(Decrease)/increase in insurance contract provisions	13	(1,260,306)	74,160	(340,432)	38,135	-	(1,488,443)
Less: Reinsurers' share of insurance benefits and claims		(1,504)	(37,194)	-	(9,514)	-	(48,212)
Net insurance benefits and claims		(208,109)	260,030	(189,809)	232,173	-	94,285
Less: Expenses							
Selling expenses		76,025	17,090	-	34,815	-	127,930
Management expenses	21	48,547	41,898	-	39,880	2,288	132,613
Total claims and expenses		(83,537)	319,018	(189,809)	306,868	2,288	354,828
Net operating surplus / (loss)		30,563	(19,471)	-	(16,529)	(210,858)	(216,295)
Allocation of management and selling expenses		11,096	(6,315)	-	(4,781)	-	-
Transfer to insurance contract provisions	13	(34,520)	-	-	-	-	(34,520)
Transfer to Shareholders' Fund		(5,500)	-	-	-	5,500	-
Contribution to Central Co-operative Fund		-	-	-	-	-	-
Contribution to Singapore Labour Foundation		-	-	-	-	-	-
Share of result of associated companies		23,424	-	-	-	-	23,424
Net surplus / (loss) for the year		25,063	(25,786)	-	(21,310)	(205,358)	(227,391)
Other comprehensive income:							
Transfer from reserves for future distribution	18	-	3,661	-	-	-	3,661
Total comprehensive income/(loss)		25,063	(22,125)	-	(21,310)	(205,358)	(223,730)

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2009

	Note	The Group 2009 Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share Holders' Fund $000	Total $000
SHARE CAPITAL							
At 1 January 2009		-	-	-	-	437,961	437,961
Issuance of participating shares	17	-	-	-	-	3,626	3,626
Redemption of participating shares	17	-	-	-	-	(2,974)	(2,974)
At 31 December 2009		-	-	-	-	**438,613**	**438,613**
At 1 January 2008		-	-	-	-	438,800	438,800
Issuance of participating shares	17	-	-	-	-	1,467	1,467
Redemption of participating shares	17	-	-	-	-	(2,306)	(2,306)
At 31 December 2008		-	-	-	-	437,961	437,961
ACCUMULATED SURPLUS							
At 1 January 2009		103,647	63,705	-	497,470	(171,139)	493,683
Comprehensive income for the year		37,831	85,561	3,460	19,985	141,881	288,718
Dividends for 2008 paid	23	-	-	-	-	(12,898)	(12,898)
At 31 December 2009		**141,478**	**149,266**	**3,460**	**517,455**	**(42,156)**	**769,503**
At 1 January 2008		78,584	85,830	-	518,780	60,368	743,562
Comprehensive income/(loss) for the year		25,063	(22,125)	-	(21,310)	(205,358)	(223,730)
Dividends for 2007 paid	23	-	-	-	-	(26,149)	(26,149)
At 31 December 2008		103,647	63,705	-	497,470	(171,139)	493,683
RESERVES FOR FUTURE DISTRIBUTION							
At 1 January 2009		-	391,480	-	-	-	391,480
Transfer from surplus for the year		-	31,477	-	-	-	31,477
At 31 December 2009	**18**	**-**	**422,957**	**-**	**-**	**-**	**422,957**
At 1 January 2008 as previously reported		-	325,302	-	-	-	325,302
Transfer from insurance contract provisions		-	69,839	-	-	-	69,839
At 1 January 2008 as restated		-	395,141	-	-	-	395,141
Transfer to surplus for the year		-	(3,661)	-	-	-	(3,661)
At 31 December 2008	18	-	391,480	-	-	-	391,480

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2009

	Note	The Group 2009					
		Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share Holders' Fund $000	Total $000
TREASURY SHARES							
At 1 January 2009		-	-	-	-	(14,088)	(14,088)
Issuance of treasury shares		-	-	-	-	(71)	(71)
At 31 December 2009		**-**	**-**	**-**	**-**	**(14,159)**	**(14,159)**
At 1 January 2008		-	-	-	-	(13,699)	(13,699)
Issuance of treasury shares		-	-	-	-	(389)	(389)
At 31 December 2008		-	-	-	-	(14,088)	(14,088)
At 31 December 2009		**141,478**	**572,223**	**3,460**	**517,455**	**382,298**	**1,616,914**
At 31 December 2008		103,647	455,185	-	497,470	252,734	1,309,036

Consolidated Cash Flow Statement

For the financial year ended 31 December 2009

	Note	2009 $000	2008 $000
Operating activities			
Net surplus/(loss) after levy		**320,195**	(227,391)
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**35,377**	-
Depreciation of property, plant and equipment		**5,566**	5,555
Amortisation of intangible assets		**3,911**	2,358
Gain on disposal of property, plant and equipment and intangible asset		**(4)**	(19)
Interest income		**(39,921)**	(43,049)
Dividend income		**(169,872)**	(194,654)
(Gain)/loss on changes in fair value of other financial assets		**(2,455,702)**	2,588,546
Loss on changes in fair value of derivatives		**23,362**	28,375
Loss in fair value of investment properties		**73,411**	15,987
Loss on disposal of an associate		**188**	-
Allowance for impairment made during the year		**18,274**	113,747
Allowance for doubtful loans written back		**(1,687)**	(644)
Loans written off		**943**	1,557
(Write-back)/allowance for doubtful receivables		**(1,111)**	3,257
Bonus to policyholders		**370,400**	236,516
Increase in reinsurers' share of insurance contract provision		**(7,651)**	(5,738)
Increase/(decrease) in insurance contract provisions		**2,551,284**	(1,269,416)
Share of profit of associated companies		**(16,175)**	(23,424)
Operating cash flows before changes in working capital		**710,788**	1,231,563
Changes in working capital:			
Insurance and other receivables		**19,445**	57,077
Insurance and other payables		**(56,891)**	(111,894)
Investment contract liabilities		**(1,522)**	(2,637)
Cash generated from operations		**671,820**	1,174,109

Consolidated Cash Flow Statement

For the financial year ended 31 December 2009

	Note	2009 $000	2008 $000
Contributions to Singapore Labour Foundation		-	(5,440)
Contributions to Central Co-operative Fund		-	(25)
Cash flows provided by operating activities		**671,820**	1,168,644
Investing activities			
Purchase of property, plant and equipment		**(3,766)**	(5,479)
Purchase of intangible assets		**(12,962)**	(8,568)
Increase in properties		**(3,498)**	(5,786)
Proceeds from disposal of property, plant and equipment and intangible assets		**2,514**	72
Proceeds from disposal of an associate		**50**	-
Proceeds from disposal of investment properties		**3,377**	22,341
Interest received		**39,957**	43,141
Dividends received		**168,559**	195,847
Investment in associate		**(32,242)**	-
Increase in investments (net)		**(984,454)**	(1,148,826)
Decrease in loans (net)		**31,726**	35,551
Cash flows used in investing activities		**(790,739)**	(871,707)
Financing activities			
Proceeds from issuance of participating shares		**3,555**	1,078
Redemption of participating shares		**(2,974)**	(2,306)
Dividends paid to participating members		**(12,898)**	(26,149)
Cash flows used in financing activities		**(12,317)**	(27,377)
Net (decrease)/increase in cash and cash equivalents		**(131,236)**	269,560
Cash and cash equivalents at beginning of the year		**1,288,685**	1,019,125
Cash and cash equivalents at end of the year	15	**1,157,449**	1,288,685

Notes To The Financial Statements

For the financial year ended 31 December 2009

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

1. General

NTUC Income Insurance Co-operative Limited (the "Co-operative") is domiciled in Singapore and constituted under the Co-operative Societies Act (Chapter 62). The address of the Co-operative's registered office is 75 Bras Basah Road, NTUC Income Centre, Singapore 189557.

The principal activities of the Co-operative consist of the underwriting of life and general insurance business, and carrying out investment activities incidental to its business. The principal activities of its subsidiaries are investment holding, car sharing and operator of retail and referral services.

2. Significant accounting policies

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2009

On 1 January 2009, the Group adopted the new or amended FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS.

The following are the new or amended FRS that are relevant to the Group:

- FRS 1 (R) Presentation of Financial Statements

  The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the former alternative. Where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 January 2008 in the current financial year.

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

- Amendment to FRS 107 Improving disclosures about financial instruments (effective from 1 January 2009).

  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value by level of a fair value measurement hierarchy (see Note 4). The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

  The assets and liabilities of the Group which relate to the insurance business carried out in Singapore are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the respective insurance funds established under Section 17 of the Insurance Act. All other assets and liabilities are accounted for in the books of the "Shareholders' Fund". The net assets of the Group held in the insurance funds and in the Group as a whole must be sufficient to meet the solvency requirements stipulated in Section 18 of the Insurance Act at all times.

  The assets and liabilities are presented in the balance sheet in order of liquidity.

  The adoption of the above new or amended FRS did not result in any substantial changes to the Group's accounting policies.

(b) Fund accounting

Life Insurance Par Fund

The Life Insurance Par Fund contains all the individual participating life insurance contracts and certain non-participating life insurance contracts.

Participating life insurance contracts are contracts that contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits in the form of annual and terminal bonuses. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Group.

Life Insurance Non-Par Fund

The Life Insurance Non-Par Fund contains the health insurance and group term insurance businesses. It also includes the IncomeShield plans, ElderShield Scheme and the Dependants' Protection Scheme.

Investment Linked Fund

The Investment Linked Fund contains the business of all investment-linked insurance contracts.

General Insurance Fund

The General Insurance Fund contains the business of all the general insurance contracts.

Shareholders' Fund

The Shareholders' Fund contains the capital contributions made by shareholders, net of transfers to and from the insurance funds and net assets relating to other non-insurance businesses.

(c) Classification of insurance and investment contracts

The Group issues contracts that transfer insurance risk or financial risk, or both.

Financial risk is the risk of a possible change in one or more of the following: a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of non-financial variable, that the variable is not specific to a party to the contract.

2. Significant accounting policies (continued)

(c) Classification of insurance and investment contracts (continued)

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risks. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk without significant insurance risk.

(d) Insurance contracts

(i) Recognition and measurement

Life Insurance Contracts

Premium revenue

Premiums from life insurance in-force insurance contracts, including annuities, are recognised as revenue on the due date. Premiums not received on due date are included as revenue. The outstanding premiums are included in "Insurance and other receivables" in the balance sheet.

Premiums received in advance before the due dates are not recognised as revenue. They are recorded as advance premiums and included in "Insurance and other payables" in the balance sheet until they are recognised as revenue when they fall due.

Claims

Claims include maturities, annuities, surrenders and death claims. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when paid. Death claims are recognised when notified.

All expense charges deducted from the investment linked life insurance contracts are paid into the Life Insurance Par Fund for products introduced prior to 2009. For products introduced from 2009, these expenses are borne by the Investment Linked Fund as income. If the insurance benefit arising from a death claim exceeds the surrender value of an investment linked policy, the additional benefit exceeding the surrender value is paid out of the Life Insurance Par Fund for products introduced prior to 2009 and paid out of the Investment Linked Fund for products introduced from 2009.

Bonuses to policyholders

All participating life insurance contracts have discretionary participating feature. This feature entitles the policyholders to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. Reversionary bonuses and cash dividends declared are based on the results of annual actuarial valuations in accordance with Insurance Regulations as advised by the Appointed Actuary. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Group. The Board of Directors approves the amount of bonus declared to policyholders of participating plans every year.

Insurance contract provisions - Life Insurance Par Fund

Provision for future participating and certain non-participating benefits in the Life Insurance Par Fund are established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses.

2. Significant accounting policies (continued)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

Life Insurance Contracts (continued)

Insurance contract provisions - Life Insurance Non-Par Fund

Insurance contract provisions in the Life Insurance Non-Par Fund include provisions for future non-participating benefits, claims and loss adjustment expenses, provisions for adverse deviation and unexpired risks. Provision for future non-participating benefits is established based on the same approach used in the Life Insurance Par Fund. Provisions for claims and loss adjustment expenses and unexpired risks are established based on the same approach used in the General Insurance Fund.

Insurance contract provisions - Investment Linked Fund

Provision for investment linked insurance contracts is based on the carrying amount of the net assets of the Investment Linked Fund at the reporting date.

General Insurance Contracts

Premium revenue

Premiums are recognised as revenue from the commencement date of insurance cover.

Written premiums are reported in the financial statements on a gross basis, inclusive of commission payable to intermediaries. Premiums attributable to financial periods outside the financial reporting period are adjusted to provision for unexpired risks.

Claims

Claims incurred comprise claims paid during the financial year, net of salvage and subrogation recoveries, and changes in provision for insurance claims.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell salvaged property (salvage) or sue liable third parties (subrogation) in recovering the cost of losses.

Reasonable estimates of the salvage recoveries or subrogation reimbursements are included as an allowance in the measurement of the insurance liability for claims, and recognised in other assets when the liability is settled.

Insurance contract provisions – General Insurance Fund

Provision for unexpired risks

Provision for unexpired risks includes provision for unearned premiums and a provision for premium deficiency.

Provision for unearned premiums is determined by taking the written premiums for the financial period that falls outside the financial reporting period.

Additional provision for premium deficiency is made where the expected future claim costs and expenses and a provision for adverse deviation exceed the provision for unearned premiums.

Provision for insurance claims

Provision is made for all outstanding claims as at the balance sheet date. This provision includes all unpaid claims, claims incurred but not reported, the anticipated direct and indirect costs of settling these claims and a provision for adverse deviation.

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

(d) **Insurance contracts** (continued)

(i) ***Recognition and measurement*** (continued)

Investment Contracts

Amounts collected on investment contracts, which primarily involve the transfer of financial risk are accounted for using deposit accounting. The liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract. Subsequent measurement of investment contracts at amortised cost uses the effective interest method. Claim and/or benefit settlement is adjusted directly against the value of investment contract liabilities.

(ii) ***Embedded derivatives in insurance contracts***

The Group does not need to separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host insurance liability. This is in accordance with FRS 104 – Insurance Contracts.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Group are not required to be separated and measured at fair value.

All revenue, benefit payments, expenses and valuation of future benefits payments including investment components are recognised through the statement of comprehensive income.

(iii) ***Impact on unrealised gains and losses on available-for-sale assets on liabilities from insurance contracts***

Changes in insurance contract liabilities which are due to the unrealised gains or losses arising from available-for-sale assets are recognised directly in the fair value reserve to match the corresponding unrealised gains or losses arising from available-for-sale assets.

(iv) ***Accumulated surplus – Life Insurance Par Fund***

The accumulated surplus within the Life Insurance Par Fund represents the maximum amount of the surplus arising from the Life Insurance Par Fund that could be transferred to the Shareholders' Fund each year. It has been the Group's practice that only a portion of the surplus will be transferred to the Shareholders' Fund.

(v) ***Reinsurance***

The Group enters into reinsurance contracts in the normal course of business to diversify its risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence that the Group may not recover all amounts due from the reinsurer.

(vi) ***Liability adequacy tests***

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities estimates. Current best estimates of future contractual cash flow, expected future claims handling, acquisition and administration costs, if any, are projected at best estimate assumptions, and discounted at rates that are close to the Group's prospective investment return. Any deficiency is charged to the statement of comprehensive income.

2. Significant accounting policies (continued)

(e) Revenue

Gross premium

The accounting policy for the recognition of gross premium is disclosed in note 2(d)(i).

Fee and other income

Fee and other income comprises reinsurance commission income (including reinsurance profit commission income) and management and other fees.

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts (see note 2(d)).

Reinsurance profit commission income is recognised based on the terms of the underlying reinsurance contract, and when the amount of revenue and related cost of the reinsurance transaction can be reliably measured.

Management and other fees comprise fund management fees, mortality fees, policy fees and fund switch fees relating to Investment Linked Funds.

Management and other fees are recognised as revenue on a straight-line basis over the period the service is provided.

Investment income

Investment income comprises of rental income from investment properties, dividend and interest income from financial assets and interest income on loans and bank deposits.

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the operating lease.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Dividend income is recognised when the right to receive payment is established.

(f) Employee compensation

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

(g) Contributions to Central Co-operative Fund and Singapore Labour Foundation

Under the Co-operative Societies Act, the surplus of a Co-operative society is subject to a levy payable to the Central Co-operative Fund (the "CCF") and/or the Singapore Labour Foundation (the "SLF"). A levy of 5% of the first $500,000 of surplus is payable to the CCF. A levy of 20% of the surplus for amounts above $500,000 is payable to either the SLF or CCF.

In the case of an insurance Co-operative, the surplus excludes the portion that is used for declaration of bonus to policyholders or retained in the insurance fund and, accordingly, no provision for levy has been made for any surplus retained in any insurance fund. Such surpluses are designated as surpluses retained within insurance funds on the balance sheet.

2. Significant accounting policies (continued)

(h) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Singapore Dollar, which is the functional currency of the Group, and are rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into Singapore Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(i) Group accounting

(i) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Co-operative, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Co-operative until the minorities' share of losses previously absorbed by the equity holders of the Co-operative are fully recovered.

2. Significant accounting policies (continued)

(i) Group accounting (continued)

(i) Subsidiaries (continued)

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests results in gains and losses for the Group that are recognised in the profit or loss. Purchases from minority interest results in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

(ii) Associated companies

Associated companies are entities (not being subsidiaries) in which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dilution gains and losses arising from investments in associated companies are recognised in profit or loss.

(j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is 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.

Depreciation on property, plant and equipment is calculated on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Office equipment	5 years
Furniture and fittings	5 years
Computer equipment	5 years
Motor vehicles	5 years

2. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

The residual values, estimated useful lives and depreciation method 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.

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 Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

(k) Intangible assets

Intangible assets include cost of computer software acquired. Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of five years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(l) Investment properties

Investment properties are initially recognised at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent professional valuer. Changes in fair values are recorded in profit or loss.

All properties are held as investment properties within the Life Insurance Par Fund for investment purposes (rental yields and capital appreciation). Any change in value of the properties would accrue mainly to the participating policyholders. A portion of certain properties is used by the Life Insurance Par Fund, the Life Insurance Non-Par Fund, the General Insurance Fund and the Shareholders' Fund.

An interfund rent (at market rates) is charged to the Life Insurance Non-Par Fund, the General Insurance Fund and the Shareholders' Fund based on their use of each investment property. This ensures that the Life Insurance Par Fund receives the full benefit of its investments within the Par Fund.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised to profit or loss.

2. Significant accounting policies (continued)

(m) Investment and other financial assets

Non-derivative investments and other financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Investments at fair value through profit or loss

Investments that are held by the Group to back life insurance and investment contract liabilities are designated by the Group on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces measurement inconsistency that would otherwise arise. The measurement bases for investment contracts, investment linked life insurance contracts and contracts with discretionary participation features issued by the Group all reflect changes in the fair value of the investments backing the contracts. For annuities and other life insurance contracts issued by the Group, the valuation discount rate is adjusted for changes in the fair value of the investments backing the contracts. Changes in the value of all insurance contract and investment contract liabilities are included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated at fair value through profit or loss. Loans and receivables include "cash and cash equivalents", "insurance and other receivables" and "loans".

(iii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

(iv) Recognition, measurement, derecognition and disclosure

Purchases and sales of 'regular way' financial assets are recognised on trade date, which is when the Group commits to purchase or sell the assets. Other financial assets are derecognised when the contractual rights to receive cash flows from the financial assets expire, or when the financial assets have been transferred, together with substantially all the risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

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 and loss are recognised immediately in profit or loss.

After initial recognition, the Group measures financial assets, designated at fair value through profit or loss, and as available-for-sale, at fair values without any deduction for transaction costs it may incur on their disposal. Loans are measured at amortised cost using the effective interest method less accumulated impairment losses.

Changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise, including interest income from such assets.

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

2. Significant accounting policies (continued)

(m) Investment and other financial assets (continued)

(v) Derivative financial instruments

Derivative financial instruments are categorised as held for trading measured at initial recognition, and subsequently, at fair value and changes in fair value are recognised in profit or loss. Transaction costs incurred in buying and selling derivative instruments are recognised in the profit and loss account when incurred.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(vi) Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These techniques include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or option pricing models. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Equity instruments whose value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

The fair value of a derivative financial instrument is determined by reference to its quoted price if quoted prices are regularly available from an exchange, dealer, or broker and there are regularly recurring market transactions in the instrument. The fair value of options is determined using option pricing techniques.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Impairment of assets

Financial assets carried at amortised costs

The Group 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.

(i) Loans and receivables

Significant financial difficulty of the issuer or debtor, probability that the issuer or 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 that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Significant accounting policies (continued)

(n) Impairment of assets (continued)

Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2 (n)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(o) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in 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 this 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 any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is credited to profit or loss.

(p) Insurance and other receivables

Insurance and other receivables include outstanding premiums, trade receivables, accrued interest receivable from fixed deposits with banks and other receivables. These are recognised initially at fair value and subsequently measured at amortised cost less accumulated impairment losses.

(q) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits held with banks which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(r) Insurance and other payables

Insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Share capital and treasury shares

All paid-up shares are participating shares and are classified as equity, although they do not all qualify as equity based on the presentation requirements of Financial Reporting Standards 32, Financial Instruments: Presentation. All shareholders are entitled to redeem their shares at the par value of $10 each or the net asset value of the Group based on the last balance sheet date, whichever is lower. The maximum number of shares which may be redeemed at the end of any year shall not exceed 10% of the shares outstanding at the prior year's balance sheet date. In practice, the number of shares redeemed each year is less than 1% of the total number of shares.

2. Significant accounting policies (continued)

(s) Share capital and treasury shares (continued)

Dividends on participating shares are recognised in the Statement of Changes in Equity in the year in which they are declared and approved for payment.

The consideration payable for the purchase by the Group of its own shares is treated as treasury shares at balance sheet date, and shown as a deduction from shareholders' funds in the Statement of Changes in Equity.

(t) Other provisions

Provisions other than insurance contract provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(u) Operating leases

Leases of investment properties which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

3. Critical accounting estimates and judgements

Insurance Contract Provisions for Life Insurance

The insurance contract provisions for Life insurance are computed in accordance with the applicable regulatory principles using a prospective approach.

The provisions comprise of the following liabilities:

- expected future net payments from guaranteed benefits
- expected future net payments from non-guaranteed benefits (if any)
- provision for adverse deviation from the expected experience

Valuation Methodology

Assumptions

Liabilities are computed using the prospective cash flow method. The areas where assumptions have been applied are:

- Mortality and morbidity (if applicable)
- Persistency
- Discount rate
- Management Expenses
- Bonuses (for Life Insurance Par Fund only)

Mortality and Morbidity

A detailed review of the Group's mortality and morbidity experience by plan types and by underwriting types is conducted annually. Based on the results of the review, the Group's Appointed Actuary has formed an opinion with regards to the expected future mortality and/or morbidity experience. The Group also uses published mortality and/or morbidity tables for plans that have no historical experience. A provision for adverse deviation is also made based on the types of product. In general, half of the regulatory provision for adverse deviation (PAD) for C1 (Insurance) risk charge is used.

Persistency

A detailed review of the Group's persistency experience by plan types and channels is conducted annually. The Group tries to balance past experience and future conditions by making prudent assumptions about the future long term average persistency levels. For new plans with no historical experience, the Group uses industry experience as a basis or assumes full persistency, whichever is deemed more prudent.

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for Life Insurance (continued)

Valuation Methodology (continued)

Discount Rates

The discount rates used in the Life Insurance Non-Par Fund are derived from the yields of Singapore Government Securities. The discount rates used in the Life Insurance Par Fund are derived based on the expected prospective long-term investment outlook. This is based on the expected investment returns of assets backing the liabilities of the Par Fund and it is determined in conjunction with the investment managers and the Investment Committee.

Expenses

The Group reviews and determines the management expense assumptions regularly based on past experience and future business direction of the Group. The expense inflation assumption is the expected long term inflation rate and is based on published inflation rate by the Department of Statistics of Singapore.

Future Bonuses

The Group conducts bonus review of the Life Insurance Par Fund annually. Bonuses are declared based on the results of the review which takes into consideration the past investment, mortality and/or morbidity, persistency, and management expense experiences. The goal of the review is to ensure bonuses paid are equitable and sustainable based on the Appointed Actuary's expected prospective outlook of the Life Insurance Par Fund. The reasonable expectations of policyholders are also taken into consideration when determining the amount of bonus to be declared.

Assumption table

The table below shows the assumptions used in the valuation of provision for future participating and non-participating benefits in the Life Insurance Par Fund and Life Insurance Non-Par Fund.

At 31 December 2009

Assumptions	Life Insurance Fund
Interest Rate	MCL*: Risk Free Rates from Year 1 to Year 15, Long Term Rates thereafter PL*: Flat yield of 5.25%
Provision for adverse deviation (PAD)	Half of C1 (Insurance Risk charge) PAD
Lapse / Surrender Rate	0.0% to 9.0% depending on type of product
Selling Expense	Based on current commission structure
Management Expense	Initial expense of $125 and Renewal expense of $45 per policy
Inflation Rate	1.75%
Non-guaranteed future bonus	2009 Bonus Rates
Mortality (Death & TPD)	90.00% to 116.5% of S9702M/F or a(90) or MSO8893 or Singapore Population Rate whichever is the appropriate mortality table
Mortality/ Morbidity Rate (Death, TPD & Dread Disease)	Adjusted Mortality / Morbidity Table compiled by the Monetary Authority of Singapore
Mortality Rate (Annuities)	Adjusted a(90) mortality table with age reduction and mortality improvement

* Note:

C1 - Component 1 Requirement, per Statutory Returns Form 21

MCL - Minimum Condition Liability; PL - Policy Liability valuation bases

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for Life Insurance (continued)

Effect of Changing Assumptions Used for Life Liability Valuation

For the valuation as at 31 December 2009, the Group has updated the liability valuation assumptions as compared to 1 January 2009 valuation assumptions. The impact of the changes in the valuation assumptions is in the table shown below:

Life Insurance Par Fund

Changes in sequence	Change in insurance contract provision for guaranteed benefits ($ mil)	% (Decrease)/increase in insurance contract provision for guaranteed benefits*
Change in lapse assumption	(127)	(1.3%)
Change in management expense	88	0.9%
Update of risk free rates to 31 Dec 2009	5	0.1%
Change in bonus rates	(0.04)	0.0%
Update of 40th Anniversary bonus	93	1.0%

* The insurance contract provision for guaranteed benefits is used to illustrate the effect of changing assumptions used for life liability valuation instead of using the entire insurance contract provision because the entire contract provision is currently the policy assets of the fund.

Life Insurance Non-Par Fund

The Group has updated the liability valuation assumptions and the valuation system to the actuarial system which is more robust and allows specific actuarial applications as compared to 1 January 2009. The impact of the changes in the valuation assumptions is shown in the table shown below:

Changes	Change in insurance contract provision for guaranteed benefits ($ mil)	% (Decrease)/increase in insurance contract provision for guaranteed benefits
Switch to full prospective method	6	0.6%
Change in mortality assumption	(83)	(8.5%)
Change in lapse assumption	(42)	(4.2%)
Update on risk free rates to 31 Dec 2009	20	2%

Insurance Contract Provisions for General Insurance

The insurance contract provisions for General Insurance comprise claims and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

These liabilities comprise:

- best estimate of the premium liabilities
- best estimate of the claims liabilities; and
- margins for adverse deviation to ensure a 75% probability of adequacy

Valuation methodology

Standard actuarial techniques are used to project the provision for claims and loss adjustment expenses and provision for unexpired risk ("claim liabilities and premium liabilities"). These methods include the Chain-ladder and Bornhuetter-Ferguson model.

The valuation process involves using the Group's claims and policy data to estimate future claims experience. These insurance liabilities have been derived on a gross basis and are subsequently adjusted for reinsurance and other recoveries for a net basis.

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for General Insurance (continued)

Assumptions

The key assumptions of the actuarial valuation models include:

- chain-ladder claim development factors
- loss ratios
- expense ratios
- reinsurance recovery ratio

These assumptions are derived based on the Group's historical and emerging underwriting experience.

For the valuation as at 31 December 2009, the basis of liability valuation assumptions have not been changed as compared to 1 January 2009.

Effect of Changing Assumptions used for General Insurance

	Increase/ (decrease) in Gross Claim Liability
	$'000
Change in Assumptions	217
- Change in Experience	**(14,307)**
- Change in ICD assumption	**7,769**
- Change in BF assumption	**2,541**
- Change in discounting	**183**
- Change in recovery rate	**1,148**
- Change in CHE	**2,883**

The table above summarises the effect of changing assumptions has on 2008 and prior accident years claim liabilities where comparisons can be made to last year's year end liability valuation. Without any change in assumptions, the additional 1 year of updated experience would have reduced the claims liability by $14.3 million. Changes in the assumptions used in Incurred Chain Ladder (ICD) and Bornhuetter Ferguson (BF) valuation methods have increased liability by $7.7 million and $2.5 million respectively. There is also a $2.9 million increase in liability due to 'Claims Handling Expenses' (CHE) assumptions.

Margins for adverse deviation

In accordance with the insurance regulations, the insurance liabilities include a risk margin to ensure a 75% probability of adequacy.

The risk margin is determined to allow for the uncertainty and volatility of the claims experience. Effects of diversification on the risk margin, arising from writing diversified lines of business, are also taken into account.

Discounting

The insurance liabilities have been discounted using risk free rates derived from the yields of the Singapore government bonds of appropriate term.

Gross liabilities

The gross claims liability as at 31 December 2009 is $412 million (FY2008: $373 million) as compared to net claims liability of $382 million (FY2008: $352 million).

The premium liability on gross basis is $164 million (FY2008: $197 million) as compared to net premium liability of $156 million (FY2008: $188 million).

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for General Insurance (continued)

Development and movement of general insurance claim liabilities

Below is the summary of the development of past years' gross claims liabilities.

$'000

	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Claims development table 2009										
Accident year										
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	246,049	244,656	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776	196,521	240,920		
2 years later	142,216	185,858	189,914	196,892	197,168	172,310	194,974			
3 years later	140,546	185,424	191,627	195,433	195,546	174,119				
4 years later	140,205	182,769	191,504	190,751	193,766					
5 years later and beyond	139,511	182,396	190,738	191,492						
Estimate of gross cumulative claims	139,511	182,396	190,738	191,492	193,766	174,119	194,974	240,920	244,656	1,752,572
Cumulative claim payments	139,020	180,434	188,388	186,450	179,746	151,611	148,982	153,219	76,844	1,404,694
Estimate of gross claim liabilities	491	1,962	2,350	5,042	14,020	22,508	45,992	87,701	167,812	347,878
Effect of discounting	(3)	(18)	(34)	(55)	(164)	(296)	(696)	(1,597)	(3,263)	(6,126)
Claims handling expenses	47	186	222	478	1,328	2,129	4,342	8,254	15,774	32,760
Best estimate of gross claim liability before recoveries	535	2,130	2,538	5,465	15,184	24,341	49,638	94,358	180,323	374,512
Estimated gross claim liabilities for prior accident years										1,040
Recoveries and other adjustments										(2,969)
Provisions for adverse deviation										39,717
Gross claim liabilities										412,300

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for General Insurance (continued)

Development and movement of general insurance claim liabilities (continued)

$'000

	2001	2002	2003	2004	2005	2006	2007	2008	Total
Claims development table 2008									
Accident year									
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	246,049	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776	196,521		
2 years later	142,216	185,858	189,914	196,892	197,168	172,310			
3 years later	140,546	185,424	191,627	195,433	195,544				
4 years later	140,205	182,769	191,504	190,751					
5 years and beyond	139,275	181,477	188,664						
Estimate of gross cumulative claims	139,275	181,477	188,664	190,751	195,544	172,310	196,521	246,049	1,510,591
Cumulative claim payments	138,604	179,546	185,242	180,874	168,993	135,023	121,782	81,116	1,191,180
Estimate of gross claim liabilities	671	1,931	3,422	9,877	26,551	37,287	74,739	164,933	319,411
Effect of discounting	(5)	(14)	(30)	(108)	(352)	(603)	(1,453)	(3,281)	(5,846)
Claims handling expenses	56	160	284	818	2,193	3,071	6,135	13,533	26,250
Best estimate of gross claim liability before recoveries	722	2,077	3,676	10,587	28,392	39,755	79,421	175,185	339,815
Estimated gross claim liabilities for prior accident years									1,838
Recoveries and other adjustments									(2,726)
Provisions for adverse deviation									34,127
Gross claim liabilities									373,054

Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on service providers' internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

The determination of fair value is subject to the approval of the Board and oversight of the investment management committee. Management exercise judgment in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgment may also be applied in estimating prices for less readily observable external parameters.

4. Management of insurance and financial risks

(a) Life Insurance Contracts Risk Management

Insurance Risk in Life Funds

The Group is exposed to life insurance risk when it signs a contract with the insured party for a premium amount and in return promises to pay a sum of money if a specified event occurs within the time frame stipulated in the contract. The terms of acceptance of the risks by the Group are generally long term in nature (except when they are group or health insurance plans, which is usually on an annual basis). These risks accepted by the Group are mortality risk, morbidity risk, longevity risk and investment risk.

Terms and Conditions of Life Insurance Contracts

The majority of the individual life insurance contracts plans written in the Par Fund are long term participating policies consisting of Whole Life Plans, Endowments and Annuities. In writing these plans, the Group takes on mortality, morbidity, longevity, and investment risks. The eventual payment to the policyholders consists of a guaranteed amount (the sum assured) and a non-guaranteed component distributed via annual reversionary (if any) and final terminal bonuses (if any). Once declared, bonuses become a fully guaranteed liability, although the Group has the discretion to reduce future reversionary and terminal bonuses if experience is unfavourable. Payment occurs upon death, survival, occurrence of specific morbidity, or survival of the policyholder, depending on the type of policy.

The Non-Par Fund consists of pure insurance protection plans, such as ElderShield, Dependent Protection Scheme (DPS) and Group & Health Contracts. Both ElderShield and DPS provide long term contracts. The Group and Health contracts are usually on a negotiable and yearly renewable basis. Protection values are payable upon death, disability, and hospitalisation of the policyholders.

Objectives of managing life insurance risks and the policies for mitigating risks

Life insurance risks arise through exposure to mortality, morbidity, persistency and any unforeseen expenses.

The Group has implemented underwriting and claims management guidelines and procedures to manage its life insurance risks. It also considers its reinsurance coverage and risk appetite to manage its overall risk exposure.

Mortality risks are selected through underwriting and appropriate premiums are charged based on the level of risks that applicants bring in. The mortality tables used for pricing are based on the Group's best estimates from its annual experience studies. The levels of mortality risks are determined by age, gender, and underwriting experience. Applicants that have mortality risks higher than the Group's tolerance level will be referred to the reinsurance companies. For new business written in 2009, 9.2% of the contracts written had exceeded the Group's retention limit.

The Life Insurance Non-Par Fund is made up of both group and individual contracts. For death and morbidity covers, the Group transfers insurance risk in excess of its retention limit to its appointed reinsurers on a per contract basis. To manage concentration of insurance risks as a result of a single event such as an epidemic outbreak or terrorist activity, the Group obtains catastrophic reinsurance that limits its maximum overall exposure.

As most of the life insurance contracts are written locally, there is a concentration of geographical risk in Singapore. Within this context, the Group is exposed to protection and investment risks in its life insurance portfolio.

Lapse rate is evaluated in a prudent manner through the pricing of new products, product design, and regular monitoring of persistency reports and procedures for recovery.

Mortality risk is also managed through appropriate claim management systems that help to identify fraudulent claims. The results of yearly experience reviews of mortality, longevity and persistency are used to decide on the bases for reserving and pricing of products. Inevitably, there remains uncertainty about future longevity and persistency that cannot be removed.

4. Management of insurance and financial risks (continued)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis

(i) Life Insurance Par Fund

To understand the risks undertaken by the Group in the Life Insurance Par Fund, the following sensitivity analysis is done to measure the impact on the Group's non-guaranteed benefit liabilities.

Assumption	Change	**2009** Impact On Non-Guaranteed Benefit Liabilities ($mil)	**2009** Impact On Non-Guaranteed Benefit Liabilities (%)	2008 Impact On Non-Guaranteed Benefit Liabilities ($mil)	2008 Impact On Non-Guaranteed Benefit Liabilities (%)
Interest rates	+100 bps	**871**	**10.0%**	803	8.9%
	-100 bps	**(1,215)**	**-13.9%**	(1,080)	-11.9%
Mortality/morbidity/ longevity					
- life insurance contracts, excluding annuities	+20%	**(266)**	**-3.0%**	(233)	-2.6%
	-20%	**235**	**2.7%**	230	2.5%
- annuities contracts	Mortality Improvement of 1 Year	**(23)**	**-0.3%**	(21)	-0.2%
	Mortality Deterioration of 1 Year	**24**	**0.3%**	21	0.2%
Lapses	+20%	**(400)**	**-4.6%**	(363)	-4.0%
	-20%	**404**	**4.6%**	416	4.6%

The non-guaranteed benefit liabilities in the sensitivity analysis represent the value of future bonus and transfers. Assuming policy assets remain the same, a dollar reduction in the guaranteed benefit liabilities results in an additional dollar available for future bonus and transfer. If interest rates are increased by 100 bps, the non-guaranteed benefit liabilities are increased by 10.0%. This would mean that future bonus and transfers may be increased by 10.0%.

The changes in the assumptions are applied to all future cash flows.

Profits are defined as the present value of future cash flows before transfer to the Surplus Account and assuming no bonus is declared in the future.

The impact on profits gives an indication of how changes in experience in the future will affect the profits, and thereby, affect the ability of the Group to declare bonus and transfer.

(ii) Life Insurance Non-Par Fund

To understand the risks undertaken by the Group in the Life Insurance Non-Par Fund, the following sensitivity analysis is done to measure the impact on the Group's benefit liabilities.

4. Management of insurance and financial risks (continued)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis (continued)

(ii) Life Insurance Non-Par Fund (continued)

		2009		2008	
Assumption	Change	**Impact On Liabilities ($mil)**	**Impact On Liabilities (%)**	Impact On Liabilities ($mil)	Impact On Liabilities (%)
Interest rates	+100 bps	**(152)**	**-15%**	(154)	-18%
	-100 bps	**258**	**26%**	247	28%
Mortality/ morbidity	ElderShield: +11.1% Morbidity DPS: +5% Mortality G&H: +20% Morbidity	**78**	**8%**	124	14%
	ElderShield: -11.1% Morbidity DPS: -5% Mortality G&H: -20% Morbidity	**(68)**	**-7%**	(107)	-12%

For the Life Insurance Non-Par Fund, the analysis is done with respect to the liabilities of the fund. If interest rates increase by 100 bps across the board, the value of liabilities decreases by $152 million, and a corresponding amount will be recognised as surplus.

Considerations of non-guaranteed benefits do not arise in the Non-Par Fund, as all the product benefits written in this fund do not contain discretionary features.

(b) General Insurance Contracts Risk Management

General Insurance Risks

Insurance contracts transfer risk to the Group by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The insurance risks arise from the fluctuations in the timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The majority of the general insurance business is motor insurance. Other insurance business includes personal accident, worker's compensation, fire, marine and other miscellaneous classes.

Terms and Conditions of General Insurance Contracts

The General Insurance contracts written by the Group are mostly on an annual coverage and annual premium basis, with the exception of short term policies such as Travel Insurance which cover only the travel period and Marine Cargo which covers the duration in which the cargo is being transported. Some of the more common policies which make up a large part of the general insurance portfolio are briefly described as follows:

Motor Insurance policies cover private cars, commercial vehicles, motorcycles, buses and taxis. Private Cars, the largest portion of the motor portfolio, covers losses or damages to the insured vehicle, death or injuries to third parties, damages to third party property and personal accident.

Personal Accident policies cover death, disablement, medical expenses and emergency evacuation expenses due to accident, hijacking, murder, assault, strike, riot, civil commotion, act of terrorism and natural disasters such as earthquake and flood.

Workmen Compensation policies cover 2 legal liabilities. Firstly, the "Act" provides compensation to workers or their dependants for specified occupational diseases, personal injuries or deaths caused by accidents arising out of and

4. Management of insurance and financial risks (continued)

(b) General Insurance Contracts Risk Management (continued)

Terms and Conditions of General Insurance Contracts (continued)

in the course of employment. Secondly, "Common Law" covers an employer liability under common law by his workers, due to negligence leading to an accident resulting in death or injury.

Fire Insurance policies insure properties against physical losses or damages by fire and lightning and extraneous perils such as riot and strike, malicious damage, explosion, aircraft damage, impact damage, bursting and overflowing of water pipes, flood, earthquake, volcanic eruption, hurricane, cyclone, typhoon or windstorm.

Objectives of managing risks and policies for mitigating risks

The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Underwriting insurance contracts involves the pooling of a large number of uncorrelated risks to reduce relative variability. The Group adopts the following measures to manage the general insurance risks:

- underwriting standards - to select risks and control exposure in accordance to established guidelines.
- claims control - to pay claims fairly and control claim wastage or fraud.
- pricing and reserving standards - to ensure adequate pricing for risks and valuation of insurance liabilities.
- reinsurance protection - to limit exposure to large insurance contracts and large claims.

Concentration risk is particularly relevant in the case of natural disasters and other catastrophes. The Group's insurance contracts mostly cover perils and risks in Singapore. As such, the Group's concentration risk is negligible as Singapore is hardly exposed to natural disasters.

Perils like floods, epidemics and terrorism do present a level of variability and correlation in the future claim experience but these concentration of risks are protected by event excess of loss reinsurance. In addition, these risks are not material given the likelihood of such events.

Geographically our risks are concentrated in Singapore. Concentration risk arising from natural catastrophes is negligible as the exposure to natural disasters in Singapore is minimal from historical experience. 80% of the Group's general insurance portfolio is motor insurance with risks well diversified across private cars, commercial vehicles, motorcycles, buses and taxis.

Sensitivity analysis

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from the estimation. The table below gives an indication of the sensitivity of the claim liabilities and the impact on net surplus before levy for the year:

Net claim liabilities ($ mil)	2009	2008
	$'000	$'000
Assumed loss ratio for Bornhuetter-Ferguson method increase by 20%	**31,853**	25,811
Assumed loss ratio for Bornhuetter-Ferguson method decrease by 20%	**(31,853)**	(25,811)

(c) Financial risk

The Group has to meet substantial long term liabilities to policyholders for claims and maturity payments and to ensure that adequate liquidity is available to meet short term claims, solvency margin and capital adequacy for business expansion. The Group invests in a variety of market instruments such as bonds and quoted and unquoted equities to match the maturity of its liabilities. This exposes the Group to a number of risks such as interest rate, liquidity, currency and credit risks.

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

The management of these risks lies with the Risk Management and Investment Committees. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of the financial risk management process is delegated to the senior management of the Group. Primarily, the risk management process focuses on mitigating the risks due to uncertainties of the financial market to minimise the adverse impact of these risks on the financial performance of the Group. A key aspect of risk management is matching the timing of cash flows from assets and liabilities. The Investment Committee provides oversight of the asset/liability management process and approves investment guidelines and limits.

(i) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments.

The Group's investments are substantially dependent on changes in interest rates and equity prices.

The Group regularly monitors its exposure to different asset classes to satisfy itself that its exposure to equities, debt securities, and other risk assets are within the Group's self-imposed risk tolerance limits.

The Group distinguishes market risk as follows:

(a) Equity price risk
(b) Interest rate risk
(c) Foreign exchange risk

(a) Equity price risk

The Group is exposed to equity price risk arising from investments held which are classified as fair value through profit or loss. These securities are listed in recognised exchanges under the MSCI purview.

The Group monitors equity exposure against a benchmark set and agreed by the Investment Committee, and has a process in place to manage the exposure. This process includes monitoring the country, sector, single security exposure of the portfolio against the limits set.

The Group also formulates equity risk management strategy taking into account the full range of the Group's equity holdings. The Group's investments in equities are substantially in Asia.

The statistical risk analytic tools used by the Group to monitor price risk exposures are the volatility of the benchmark and beta of the portfolio. In this analysis, equity and index exposures are grouped by appropriate market indices, as determined by the Group, and the net beta adjusted exposures to each market index are calculated.

The Group has chosen the MSCI Singapore, MSCI Asia Ex-Japan and MSCI Global indices as representative market indices for all the equities held at balance sheet date. In addition, the Group makes adjustments or assumptions where it determines this to be necessary or appropriate. Historical statistics used in the model may not accurately estimate future changes particularly in periods of market turmoil. Actual results may differ substantially from these estimates.

4. **Management of insurance and financial risks** (continued)

(c) **Financial risk** (continued)

(i) ***Market risk*** (continued)

(a) *Equity price risk* (continued)

Sensitivity analysis for changes in risk variable that was reasonably possible at year end:

	Impact on surplus before levy and allocation of management expenses	
	2009	**2008**
	$'000	$'000
MSCI Singapore		
+29% (2008: +22%)	**834,308**	298,033
-29% (2008: -22%)	**(834,308)**	(298,033)
MSCI Asia ex Japan		
+27% (2008: +23%)	**397,052**	160,150
-27% (2008: -23%)	**(397,052)**	(160,150)
MSCI Global Equities		
+18% (2008: +15%)	**106,675**	79,940
-18% (2008: -15%)	**(106,675)**	(79,940)

(b) *Interest rate risk*

The Group is exposed to interest rate risk primarily through investments in fixed income securities by the Insurance Funds and policy liabilities in those Funds which are guaranteed.

The presence of interest rate risk is the result of not holding assets that match policy liabilities fully. The interest rate risk arising from asset-liability tenure mismatch is actively managed and monitored by various departments within the Group, including the Investment Committee and Chief Actuary.

Interest rate risks are managed by the Group on an ongoing basis with the primary objective of limiting the extent to which solvency can be affected by an adverse movement in interest rates.

The Group reduces interest rate risk through the close matching of assets and guaranteed liabilities of Insurance Funds. In this aspect, the Group uses derivative instruments, including interest rate and cross currency swaps, to reduce interest rate risk with the aim of facilitating efficient portfolio management.

The long duration of policy liabilities in the Insurance Funds and the uncertainty of the cash flows of the said Fund means interest rate risk cannot be completely eliminated, except to match guarantees as much as possible.

The Group's aim is to match the Life Insurance Par Fund's guaranteed liabilities falling due within the next 10 years from balance sheet date. The Group also matches the Life Insurance Par Fund's contractual liabilities falling due within the 11-15 years according to the following percentages.

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

Year	% of liabilities
11	80%
12	60%
13	40%
14	20%
15	0%

The remaining liabilities are backed by equities, fixed income securities, loans and investment properties with a view to maximise long term returns subject to acceptable volatility in market value.

Investment Linked Fund's liabilities are fully matched by the assets held in the respective ILP sub-funds. The interest rate risk is wholly borne by the policyholders.

Shareholders' Fund has exposure to fixed income investments, which will be subject to mark-to-market valuation loss when interest rates rise.

A study of fixed income securities' yield movement during the previous periods has been undertaken and a 100bps change in yield across the different curves is considered to be a reasonable basis for interest rate sensitivity analysis. The table below summarises the impact on surplus before levy and allocation of management expenses, and on share capital and reserves based on a 100bps parallel shift in the yield curves:

Sensitivity analysis for changes in risk variable that was reasonably possible as at year end:

	Impact on surplus before levy and allocation of management expenses	
	2009	**2008**
	$'000	$'000
Parallel shift in yield curves		
+100 bps	**(643,528)**	(743,687)
-100 bps	**698,536**	696,619

(c) Foreign currency risk

Policy on foreign currency risk management

The Group operates mainly in Singapore, with over 99% of its insurance liabilities denominated in Singapore Dollars.

The Group mitigates potential foreign currency risks arising from its exposures to financial assets by using the Singapore Dollar trade weighted basket as the benchmark. The foreign exchange position is periodically rebalanced. The Group limits its exposures to foreign exchange risk arising from foreign currency denominated bonds using foreign exchange forward contracts and currency swaps. This mitigates the risk that the fair value of these investments fluctuates as a result of changes in foreign exchange rates.

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

Policy on foreign currency risk management (continued)

The Group monitors deviations to the benchmark model and foreign currency trades are then proposed to correct any deviations from approved tolerance limits.

Foreign currency risks arise from both internally and externally managed funds. Foreign currency risks from internal funds are managed internally. External funds which have their own mandates to hedge their foreign currency risk exposure to SGD are excluded from the Group's foreign currency risk hedging.

The following table presents the Group's exposures to major foreign currencies, presented in Singapore Dollar equivalent amounts as at:

2009	**USD**	**Euro**	**GBP**	**Others**
Assets	$'000	$'000	$'000	$'000
Investments				
- Equities	311,104	140,827	69,861	1,479,771
- Debt securities	1,244,794	371,792	38,633	222,946
- Funds	328,232	18,317	-	111,209
Cash and cash equivalents	46,194	2,580	444	29,133
Total	1,930,324	533,516	108,938	1,843,059
Less: Derivative contracts (notional)	(845,176)	(272,546)	(21,346)	(1,449,240)
Net foreign currency risk exposure	**1,085,148**	**260,970**	**87,592**	**393,819**

2008	**USD**	**Euro**	**GBP**	**Others**
Assets	$'000	$'000	$'000	$'000
Investments				
- Equities	325,276	111,745	51,537	734,205
- Debt securities	1,007,541	281,615	64,509	325,011
- Funds	223,934	13,713	-	99,311
Cash and cash equivalents	83,915	7,328	744	101,023
Total	1,640,666	414,401	116,790	1,259,550
Less: Derivative contracts (notional)	(1,355,707)	(183,506)	(113,223)	(234,299)
Net foreign currency risk exposure	284,959	230,895	3,567	1,025,251

The Group's liabilities are predominantly denominated in Singapore Dollars.

The Group's foreign currency risk exposure is closely tracked with its benchmark model.

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

Policy on foreign currency risk management (continued)

Consequently, the sensitivity of the Group's foreign currency risk exposure is low. Based on the annualised monthly volatilities, management estimates a +/- 2% (2008: +/-3%) change in the relevant currency risk that were reasonably possible at the balance sheet date.

The following table shows the Group's sensitivity to foreign currency exposure should those currencies increase or decrease by 2% (2008: 3%) with all other variables held constant.

Currency	**Risen / lowered by**	**Decrease / increase in net surplus before levy and allocation of management expenses**	
		31 December 2009 $'000	31 December 2008 $'000
GBP	2% (2008: 3%)	**1,752**	107
Euro	2% (2008: 3%)	**5,219**	6,927
USD	2% (2008: 3%)	**21,703**	8,549

(ii) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Group's primary exposure to credit risk is through its investments in fixed income securities, lending activities such as corporate loans and consumer loans and potential obligations of reinsurers arising out of reinsurance arrangements.

The Investment Committee manages credit risk associated with investments in fixed income securities through setting of investment policy and credit exposure limits, as well as approving credit risk management methodologies.

Evaluation of an issuer's or counterparty's credit risk is undertaken by credit analysts. Monitoring of credit and concentration risk is carried out by Middle Office which reports directly to the Chief Operating Officer (investment) and Investment Committee.

The credit risk of the Insurance Funds' fixed income securities investments is actively managed by Investment Department to ensure adherence to credit limits by issuer or counterparty and by credit rating bucket limits.

Overall investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies.

The corporate loans in the portfolio are generally secured by commercial real estate and motor vehicles, thus mitigating credit risk. Evaluating and monitoring of credit risk arising from such lending activities is undertaken by credit analysts. Valuation of the corporate loans' collateral is carried out periodically. The carrying amount of past due or impaired corporate loans on 31 December 2009 is $nil (2008: nil).

The consumer loan portfolio as at 31 December 2009 amounts to S$129m (2008: $177m). This is made up of secured and unsecured loans of which about 93% (2008: 92%) are secured loans while the balance makes up the unsecured loans.

4. **Management of insurance and financial risks** (continued)

(c) **Financial risk** (continued)

(ii) ***Credit risk*** (continued)

For the management of credit risk of secured consumer loans, the Group regularly performs a valuation exercise to derive the fair value of the collaterals. The purpose of this exercise is to monitor the Loan to Valuation Ratio. For some loans, the Group may repossess the collateral when the loan defaults.

Our credit policy to monitor the default risk on our unsecured loans is to engage an external agent to regularly inform us if any of our borrowers are currently facing legal actions by other creditors.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

As at 31 December 2009

		Financial assets that are past due but not impaired				
	Neither past due nor impaired	Up to 3 months	3 months to 1 year	Greater than 1 year	Total	Financial assets that have been impaired
	$'000	$'000	$'000	$'000	$'000	$'000
Debt securities	13,303,885	-	-	-	13,303,885	-
Loans	752,795	6,950	2,420	1,136	763,301	2,426
Derivatives with positive fair values	105,201	-	-	-	105,201	-
Reinsurers' share of insurance contract provisions	38,371	-	-	-	38,371	-
Insurance and other receivables	128,343	65,898	5,002	435	199,678	7,132
Cash and cash equivalents	1,157,449	-	-	-	1,157,449	-

As at 31 December 2008

		Financial assets that are past due but not impaired				
	Neither past due nor impaired	Up to 3 months	3 months to 1 year	Greater than 1 year	Total	Financial assets that have been impaired
	$'000	$'000	$'000	$'000	$'000	$'000
Debt securities	12,621,089	-	-	-	12,621,089	-
Loans	770,348	18,581	5,354	-	794,283	4,113
Derivatives with positive fair values	255,078	-	-	-	255,078	-
Reinsurers' share of insurance contract provisions	30,720	-	-	-	30,720	-
Insurance and other receivables	121,080	76,560	17,401	1,694	216,735	8,243
Cash and cash equivalents	1,288,685	-	-	-	1,288,685	-

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(ii) Credit risk (continued)

The tables below provides information regarding the credit risk exposure of the Group by classifying assets according to the credit ratings of counterparties.

As at 31 December 2009	Investment Grade AAA to BBB-	Speculative Grade (Below BBB-)	Non rated	Total
	$'000	$'000	$'000	$'000
Debt securities	**10,839,038**	**73,062**	**2,391,785**	**13,303,885**
Loans	-	-	**763,301**	**763,301**
Cash and cash equivalents	**1,157,449**	-	-	**1,157,449**
Derivatives with positive fair values	-	-	**105,201**	**105,201**

As at 31 December 2008	Investment Grade AAA to BBB-	Speculative Grade (Below BBB-)	Non rated	Total
	$'000	$'000	$'000	$'000
Debt securities	10,367,678	24,056	2,229,355	12,621,089
Loans	-	-	794,283	794,283
Cash and cash equivalents	1,288,685	-	-	1,288,685
Derivatives with positive fair values	-	-	255,078	255,078

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

Cash and cash equivalents are placed with banks and financial institutions: (i) which are regulated by the Monetary Authority of Singapore in Singapore and others like regulators overseas; and (ii) whose credit ratings are rated by credit rating agencies.

Ceded reinsurance contains credit risk, and such reinsurance assets are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting its reinsurers, the Group considers their relative financial security. The security of the reinsurer is assessed based on public rating information.

(iii) Liquidity risk

Liquidity risk arises when the Group is unable to meet its obligations at a reasonable cost. This could arise through bad publicity or adverse market conditions leading to unexpected cash demands and huge amount of surrenders. As a result, the Group may have to sell off assets at a loss to provide the cash lump sum payment.

The Group monitors its liquidity risk and maintains a level of cash and cash flow deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash requirements. Liquidity management requires the Group to maintain a liquid position at all times to meet unexpected claims payments when they fall due and simultaneously holding an asset mix which meets the Group's target return.

The Group manages liquidity risk by maintaining an adequate level of cash and cash equivalents as well as putting in place an asset liability matching (ALM) strategy for Life Participating Fund. The liquidity risk is minimised by holding cash and also close monitoring of surrenders and redemptions.

4. **Management of insurance and financial risks** (continued)

(c) **Financial risk** (continued)

(iii) Liquidity risk (continued)

For Non-Par Fund, the business is managed on an annual cash flow basis with ensuring sufficient cash flow of premium as the liability matching strategy and monitoring of the experience to ensure claims can be paid. ElderShield liabilities are currently not matched because the Group expects the fund to be cash-flow positive for at least 10 years.

For General Insurance Fund, a significant portion of the assets are liquid assets which can be easily liquidated to pay claims.

For Investment Linked Funds, the liabilities and unit prices for transactions fully reflect the market value of assets held in the respective Investment Linked Product sub-funds.

The table below shows the gross liability including both guaranteed and non-guaranteed benefits (before reinsurance) as at 31 December 2009 based on estimated timing of net cash outflows. Almost all investment contracts may be surrendered. In this case, the earliest contractual maturity date is the balance sheet date. The liability will be the surrender value required if all investment contract policyholders surrender at the balance sheet date.

As at 31 December 2009	**Total**	**Within 1 year**	**1 - 5 years**	**5 - 15 years**	**Over 15 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Long Term business					
- Insurance contracts	**(20,822,732)**	**(2,138,450)**	**(4,572,022)**	**(4,611,205)**	**(9,501,055)**
- Investment contracts	**(244,527)**	**(116,548)**	**(83,533)**	**(44,446)**	**-**
Total	**(21,067,259)**	**(2,254,998)**	**(4,655,555)**	**(4,655,651)**	**(9,501,055)**

As at 31 December 2008	**Total**	**Within 1 year**	**1 - 5 years**	**5 - 15 years**	**Over 15 years**
	$'000	$'000	$'000	$'000	$'000
Long Term business					
- Insurance contracts	(17,901,048)	(2,838,650)	(3,443,320)	(4,873,268)	(6,745,810)
- Investment contracts	(246,049)	(90,508)	(119,250)	(36,291)	-
Total	(18,147,097)	(2,929,158)	(3,562,570)	(4,909,559)	(6,745,810)

The table below shows the undiscounted contractual cash flows in relation to derivative instruments and other payables.

As at 31 December 2009	**Total**	**Within 1 year**	**1 - 5 years**	**5 - 15 years**	**Over 15 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Derivative financial instruments	**(68,278)**	**(45,968)**	**(22,797)**	**487**	**-**
Insurance and other payables	**(379,391)**	**(352,192)**	**(22,543)**	**(4,557)**	**(99)**

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

As at 31 December 2008	Total	Within 1 year	1 - 5 years	5 - 15 years	Over 15 years
	$000	$000	$000	$000	$000
Derivative financial instruments	(213,991)	(131,942)	(34,275)	(32,134)	(15,640)
Insurance and other payables	(400,905)	(382,999)	(15,033)	(2,558)	(315)

(d) Capital Management

The Group's capital policy is to ensure capital efficiency and the ability to self-generate sufficient level of surpluses within each fund to support the on-going development. This is especially important given a co-operative status and limited avenues for raising capital.

The Group's capital management framework is to ensure the use of capital and generation of surplus through steering of bonus distribution strategy, investment strategy, product pricing and development and risk management. Critical amongst these is to ensure that products are soundly and sustainably priced. To ensure this minimum pricing standards have been set.

The Co-operative is required to comply with the regulatory capital requirement prescribed in the Valuation and Capital Regulations 2004 under MAS Insurance Act. Under the Risk-based Capital Framework regulation set by Monetary Authority of Singapore, Insurance companies are required to satisfy a minimum capital adequacy ratio of 120%. The Co-operative has a capital adequacy ratio in excess of the minimum requirement.

Regulated Capital of the Co-operative as at 31 December 2009 comprised Available Capital of $5.49 billion, Risk Capital of $2.70 billion and Capital Adequacy Ratio of 203%. The amounts as at 31 December 2008 are: Available Capital $4.24 billion, Risk Capital $2.22 billion and Capital Adequacy Ratio of 191%.

(e) Fair Value Measurements

Effective 1 January 2009 the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of 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 (i.e. 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).

4. Management of insurance and financial risks (continued)

(e) Fair value measurements (continued)

The following table presents our assets and liabilities measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets				
Investments designated at fair value through profit or loss				
Equities	4,691,555	-	-	4,691,555
Funds	1,095,015	15,161	-	1,110,176
Debt securities	12,264,608	994,552	44,725	13,303,885
Available-for-sale investments				
Equities	-	-	37,483	37,483
Funds	-	-	397,251	397,251
Derivative financial instruments	-	105,201	-	105,201
Total assets	18,051,178	1,114,914	479,459	19,645,551
Liabilities				
Derivative financial instruments	-	(67,420)	-	(67,420)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. These investments are included in level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Valuation for private equity fund investments was based on net asset value reports as at 30 September 2009. If a premium of 5% had been applied, the valuation for these investments would have increased by $19.8m.

For debt investments in level 3, a discount factor of 10% was applied and the impact would be $12.6m.

4. Management of insurance and financial risks (continued)

(e) Fair value measurements (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Available-for -sale investments			
	Debt investments	Unquoted funds	Unquoted equities	Total
	$'000	$'000	$'000	$'000
Opening balance	21,729	276,644	54,393	352,766
Sales of level 3 securities	-	(18,734)	-	(18,734)
Transfers into level 3	-	38,584	(18,584)	20,000
Purchases of level 3 securities	-	77,431	399	77,830
Revaluation reserve	-	41,395	1,490	42,885
Gains and losses recognised in profit or loss	22,996	(18,069)	(215)	4,712
Closing balance	44,725	397,251	37,483	479,459
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	22,996	(18,069)	(215)	4,712

The carrying value less impairment provision of insurance receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. Property, plant and equipment

Life Insurance Par Fund

	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000
2009					
Cost					
At 1 January 2009	6,344	18,858	25,328	476	51,006
Additions	80	2,618	969	99	3,766
Disposals	(21)	(3,222)	(237)	(71)	(3,551)
At 31 December 2009	6,403	18,254	26,060	504	51,221
Accumulated depreciation					
At 1 January 2009	4,523	11,129	17,491	203	33,346
Charge for the year	585	2,272	2,625	84	5,566
Disposals	(15)	(1,089)	(233)	(23)	(1,360)
At 31 December 2009	5,093	12,312	19,883	264	37,552
Net book value At 31 December 2009	1,310	5,942	6,177	240	13,669

5. Property, plant and equipment (continued)

Life Insurance Par Fund (continued)

	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Renovation	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2008						
Cost						
At 1 January 2008	5,509	6,789	23,740	461	12,735	49,234
Additions	998	1,136	3,251	94	-	5,479
Disposals	(163)	(1,802)	(1,663)	(79)	-	(3,707)
Transfer of assets	-	12,735	-	-	(12,735)	-
At 31 December 2008	6,344	18,858	25,328	476	-	51,006
Accumulated depreciation						
At 1 January 2008	4,026	4,959	16,390	211	5,884	31,470
Charge for the year	651	2,074	2,759	71	-	5,555
Disposals	(154)	(1,788)	(1,658)	(79)	-	(3,679)
Transfer of assets	-	5,884	-	-	(5,884)	-
At 31 December 2008	4,523	11,129	17,491	203	-	33,346
Net book value At 31 December 2008	1,821	7,729	7,837	273	-	17,660

6. Intangible assets

	2009	2008
	$'000	$'000
Life Insurance Par Fund		
Cost		
At 1 January	**20,475**	11,956
Additions	**12,962**	8,568
Disposals	**(350)**	(49)
At 31 December	**33,087**	20,475
Accumulated amortisation		
At 1 January	**8,397**	6,063
Charge for the year	**3,911**	2,358
Disposals	**(31)**	(24)
At 31 December	**12,277**	8,397
Net book value at 31 December	**20,810**	12,078

Amortisation expense is included in "Management expenses" in the statement of comprehensive income.

7. Investment properties

	2009	2008
	$'000	$'000
Life Insurance Par Fund		
At 1 January	**1,091,922**	1,124,464
Additions	**3,498**	5,786
Disposals	**(3,377)**	(22,341)
Change in net fair value recognised in profit or loss	**(73,411)**	(15,987)
At 31 December	**1,018,632**	1,091,922

Investment properties are carried at fair values at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties' fair market values using the direct sale comparison and income approach.

All investment properties belong to the Life Insurance Par Fund. These properties are held for the purpose of capital appreciation and rental income. The following amounts are recognised in profit or loss.

	2009	2008
	$'000	$'000
Rental income	**61,313**	66,420
Direct operating expenses arising from investment properties that generated rental income	**(17,223)**	(17,165)

8. Investment in subsidiaries

The subsidiaries of the Co-operative, all incorporated in Singapore and having their place of business in Singapore, at 31 December 2009 are as follows:

Name	Principal activities	Interest held by Co-operative	
		2009 %	2008 %
Life Insurance Par Fund			
NTUC Income International Pte Ltd	Investment holding	**100**	100
NTUC Co-operatives Suzhou Investments Pte Ltd	Investment holding	**73**	73
Shareholders' Fund			
NTUC Income Enterprises Pte Ltd (NIE)	Operator of retail and referral services	**100**	100
NTUC Income Car Co-operative Ltd	Car sharing	**100**	100
NTUC Income Asset Management Ltd	Investment management	**100**	100

8. Investment in subsidiaries (continued)

As at 31 December 2009, investments in subsidiaries held through NTUC Income Enterprises Pte Ltd (NIE), a 100% owned subsidiary of the Co-operative are as follows:

Name	Principal activities	Interest held by NIE	
		2009 %	2008 %
NTUC Income e-Remit Pte Ltd *	Operator of retail business	**-**	100
NTUC Income Travel Pte Ltd *	Travel agency and tour operator	**-**	100
I-Map Pte Ltd	Electronic directories	**100**	100
e-Lifestyle (S) Ltd *	Development of Web applications	**-**	100
Income Dotcom Ltd *	General electronic-Commerce business	**-**	100
Big Trumpet Ltd	Create, establish and maintain electronic commerce club	**100**	100

* Companies strike off during the year.

9. Investment in associated companies

	Group	
	2009 $'000	2008 $'000
Life Insurance Par Fund		
Equity investment at cost		
Beginning of financial year	**225,206**	201,782
Investment during the year	**32,242**	-
Share of profits	**16,175**	23,424
Impairment charge	**(100)**	-
End of financial year	**273,523**	225,206
The summarised financial information of associated companies is as follows:		
- Assets	**1,704,288**	1,882,162
- Liabilities	**672,351**	912,072
- Revenue	**461,641**	362,610
- Net profit	**54,305**	100,407

9. Investment in associated companies (continued)

The investment in associated companies is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative	
			2009 %	2008 %
Life Insurance Par Fund				
Falcon-Air Holdings Pte Ltd	Singapore	Investment holding	**23**	23
MegaTalk Pte Ltd	Singapore	Provision of internet phone solutions	**40**	40
NTUC Choice Homes Co-operative Ltd	Singapore	Property development	**25**	25
One Marina Property Services Pte Ltd (formerly known as SLF Management Services Pte Ltd)	Singapore	Provision of facility management, project management, marketing and leasing services	**20**	20
Vicom Assessment Centre Pte Ltd	Singapore	Provision of motor assessment services	**25**	25
Asia Pacific Investment Company No. 2 Ltd	Singapore	Properties investment	**22**	22
SG Domain Pte Ltd	Singapore	Properties investment holding	**20**	-
Shareholders' Fund				
Call Centre One Pte Ltd	Singapore	Provision of call centre services	**-**	30
General Insurance Fund				
ACAL Holdings Pte Ltd	Singapore	Investment holding	**-**	26

As at 31 Dec 2009, ACAL Holdings Pte Ltd is no longer an associated company of the Group.

During the year, the Group divested its 30% holdings in Call Centre One Pte Ltd for a consideration of $50,000. On disposal, the difference between the disposal proceeds and the carrying amount of the investment is recognised as a loss of $187,631 and an impairment allowance written back of $110,000 in the statement of comprehensive income.

Notes To The Financial Statements

For the financial year ended 31 December 2009

10. Other financial assets

	2009					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	3,417,363	293,110	711,423	-	269,659	4,691,555
Funds	887,160	4,387	152,636	-	65,993	1,110,176
Debt securities	10,726,960	1,205,984	370,435	978,655	21,851	13,303,885
Total investments designated at fair value through profit or loss	15,031,483	1,503,481	1,234,494	978,655	357,503	19,105,616
Available-for-sale investments						
Unquoted						
Equities	17,111	-	-	20,000	372	37,483
Funds	396,841	-	-	410	-	397,251
Total available-for-sale investments	413,952	-	-	20,410	372	434,734
Total investments	15,445,435	1,503,481	1,234,494	999,065	357,875	19,540,350
To be settled within 12 months	933,776	88,604	83,632	65,425	-	1,171,437
To be settled after 12 months	14,511,659	1,414,877	1,150,862	933,640	357,875	18,368,913
	15,445,435	1,503,481	1,234,494	999,065	357,875	19,540,350

10. Other financial assets (continued)

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	1,712,876	117,026	440,446	-	180,071	2,450,419
Funds	567,310	2,476	79,812	-	41,582	691,180
Debt securities	10,112,305	1,150,932	390,055	949,309	18,488	12,621,089
Total investments designated at fair value through profit or loss	12,392,491	1,270,434	910,313	949,309	240,141	15,762,688
Available-for-sale investments						
Unquoted						
Equities	54,020	-	-	-	373	54,393
Funds	275,887	-	-	757	-	276,644
Total available-for-sale investments	329,907	-	-	757	373	331,037
Total investments	**12,722,398**	**1,270,434**	**910,313**	**950,066**	**240,514**	**16,093,725**
To be settled within 12 months	930,603	178,136	64,975	63,019	-	1,236,733
To be settled after 12 months	11,791,795	1,092,298	845,338	887,047	240,514	14,856,992
	12,722,398	**1,270,434**	**910,313**	**950,066**	**240,514**	**16,093,725**

Of the total debt securities, 95% (2008: 98%) represents investments in fixed rate instruments.

10. Other financial assets (continued)

Life Insurance Par Fund

Loans of quoted equities to financial institutions

The Group was a participating lender of a Securities Lending Program administered by a financial institution acting as an agent. The agent collected cash and other securities from borrowers as collateral, and this collateral will be at an agreed percentage above the market value of the securities lent out. Marking to market of collateral was performed every business day by the agent and the borrower was required to deliver additional collateral when necessary. Income earned from the investment of cash collateral and loan fees for loans collateralised by non-cash collateral were distributed to the participating lenders by the agent.

The fair value of the Group's share of the collateral in cash and other securities received by the agent as at 31 December 2009 was $71.5 million (2008: $77.8 million). These collaterals were in respect of equity investments designated as fair value through profit or loss, which were lent to financial institutions. The fair values of these equity investments were $67.9 million (2008: $69.8 million) at 31 December 2009.

Shareholders' Fund

Singapore government securities

Included in debt securities of Shareholders' Fund is $1.3 million (2008: $1.3 million) with nominal value of $1.2 million (2008: $1.2 million) in Singapore government securities deposited with the Monetary Authority of Singapore as statutory deposits under the Insurance Act for the life and general insurance businesses.

11. Loans

	2009					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Term loans to corporations						
- secured	74,438	-	-	-	-	74,438
- unsecured	85	-	-	-	-	85
Consumer loans	127,954	-	-	1,257	82	129,293
Loans on policies	561,911	-	-	-	-	561,911
Impairment loss	(2,398)	-	-	(28)	-	(2,426)
	761,990	-	-	1,229	82	763,301
To be settled within 12 months	26,413	-	-	740	18	27,171
To be settled after 12 months	735,577	-	-	489	64	736,130
	761,990	-	-	1,229	82	763,301

11. Loans (continued)

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Term loans to corporations						
- secured	77,966	-	-	-	-	77,966
- unsecured	95	-	-	-	-	95
Consumer loans	175,513	-	-	1,576	119	177,208
Loans on policies	543,127	-	-	-	-	543,127
Impairment loss	(4,088)	-	-	(25)	-	(4,113)
	792,613	-	-	1,551	119	794,283
To be settled within 12 months	25,705	-	-	653	34	26,392
To be settled after 12 months	766,908	-	-	898	85	767,891
	792,613	-	-	1,551	119	794,283

At balance sheet date, the carrying amounts of loans approximate their fair value.

Movements in allowance for impairment loss during the financial year are as follows:

	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
2009						
At 1 January	**4,088**	**-**	**-**	**25**	**-**	**4,113**
Allowance made during the year	**-**	**-**	**-**	**3**	**-**	**3**
Allowance written back during the year	**(1,690)**	**-**	**-**	**-**	**-**	**(1,690)**
At 31 December	**2,398**	**-**	**-**	**28**	**-**	**2,426**
2008						
At 1 January	4,719	-	-	38	-	4,757
Allowance made during the year	119	-	-	-	-	119
Allowance written back during the year	(750)	-	-	(13)	-	(763)
At 31 December	4,088	-	-	25	-	4,113

12. Derivative financial instruments

	2009			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	4,267,464	23,914	37,239	(13,325)
Interest rate swaps	202,301	1,858	210	1,648
Cross currency swaps	711,589	75,185	24,796	50,389
Swaptions	63,600	-	857	(857)
	5,244,954	100,957	63,102	37,855
Life Insurance Non-Par Fund				
Cross currency swaps	4,204	965	-	965
	4,204	965	-	965
Investment Linked Fund				
Forward foreign exchange	180,511	677	2,046	(1,369)
Interest rate swaps	53,339	319	65	254
Cross currency swaps	1,448	343	-	343
Swaptions	22,800	-	229	(229)
	258,098	1,339	2,340	(1,001)
General Insurance Fund				
Cross currency swaps	4,477	1,028	-	1,028
Shareholders' Fund				
Forward foreign exchange	186,874	912	1,978	(1,066)
Total	5,698,607	105,201	67,420	37,781

12. Derivative financial instruments (continued)

	2008			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	6,007,853	147,063	114,015	33,048
Interest rate swaps	877,107	31,631	31,012	619
Currency options	44,214	1,129	198	931
Cross currency swaps	620,250	54,838	29,353	25,485
	7,549,424	234,661	174,578	60,083
Life Insurance Non-Par Fund				
Forward foreign exchange	9,576	252	-	252
Cross currency swaps	6,850	846	-	846
	16,426	1,098	-	1,098
Investment Linked Fund				
Forward foreign exchange	202,369	5,297	4,269	1,028
Interest rate swaps	148,496	5,355	5,250	105
Currency options	7,486	191	33	158
Cross currency swaps	1,455	231	-	231
	359,806	11,074	9,552	1,522
General Insurance Fund				
Cross currency swaps	4,477	891	-	891
Shareholders' Fund				
Forward foreign exchange	314,084	7,354	5,052	2,302
Total	**8,244,217**	**255,078**	**189,182**	**65,896**

At balance sheet date, all derivative financial instruments balances are current, as they are classified as 'held for trading' in accordance with Financial Reporting Standards 39, Financial Instruments: Recognition and Measurement.

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13. Insurance contract provision

	2009				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Gross					
Provision for claims and loss adjustment expenses	-	88,217	-	412,300	500,517
Provision for unexpired risks	-	89,869	-	164,328	254,197
Provision for future non-participating benefits	1,292,700	804,509	-	-	2,097,209
Provision for future participating benefits					
- Guaranteed benefits	8,018,658	-	-	-	8,018,658
- Non-guaranteed benefits	8,685,561	-	-	-	8,685,561
Provision for investment linked contracts	-	-	1,266,590	-	1,266,590
Total insurance contract provisions, gross	17,996,919	982,595	1,266,590	576,628	20,822,732
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	30,265	30,265
Provision for unexpired risks	-	-	-	8,106	8,106
Total reinsurers' share of insurance contract provisions	-	-	-	38,371	38,371
Net					
Provision for claims and loss adjustment expenses	-	88,217	-	382,035	470,252
Provision for unexpired risks	-	89,869	-	156,222	246,091
Provision for future non-participating benefits	1,292,700	804,509	-	-	2,097,209
Provision for future benefits					
- Guaranteed benefits	8,018,658	-	-	-	8,018,658
- Non-guaranteed benefits	8,685,561	-	-	-	8,685,561
Provision for investment linked contracts	-	-	1,266,590	-	1,266,590
Total insurance contract provisions, net	17,996,919	982,595	1,266,590	538,257	20,784,361

13. Insurance contract provisions (continued)

	2008				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Gross					
Provision for claims and loss adjustment expenses	-	69,012	-	373,054	442,066
Provision for unexpired risks	-	113,835	-	197,499	311,334
Provision for future non-participating benefits	1,358,466	687,640	-	-	2,046,106
Provision for future participating benefits					
- Guaranteed benefits	7,448,850	-	-	-	7,448,850
- Non-guaranteed benefits	6,707,372	-	-	-	6,707,372
Provision for investment linked contracts	-	-	945,320	-	945,320
Total insurance contract provisions, gross	**15,514,688**	**870,487**	**945,320**	**570,553**	**17,901,048**
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	20,771	20,771
Provision for unexpired risks	-	-	-	9,949	9,949
Total reinsurers' share of insurance contract provisions	**-**	**-**	**-**	**30,720**	**30,720**
Net					
Provision for claims and loss adjustment expenses	-	69,012	-	352,283	421,295
Provision for unexpired risks	-	113,835	-	187,550	301,385
Provision for future non-participating benefits	1,358,466	687,640	-	-	2,046,106
Provision for future benefits					
- Guaranteed benefits	7,448,850	-	-	-	7,448,850
- Non-guaranteed benefits	6,707,372	-	-	-	6,707,372
Provision for investment linked contracts	-	-	945,320	-	945,320
Total insurance contract provisions, net	**15,514,688**	**870,487**	**945,320**	**539,833**	**17,870,328**

13. Insurance contract provisions (continued)

Movements in insurance contract provisions

Life Insurance Par Fund

Provision for future participating / non-participating benefits

	2009			2008		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**15,514,688**	**-**	**15,514,688**	16,503,958	-	16,503,958
Increase / (decrease) in insurance contract provisions	**2,048,454**	**-**	**2,048,454**	(1,260,306)	-	(1,260,306)
Transfer of premiums and recovery of allocated expenses	**4,317**	**-**	**4,317**	11,096	-	11,096
Share in results of associated companies	**16,175**	**-**	**16,175**	23,424	-	23,424
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gain	**42,885**	**-**	**42,885**	-	-	-
Bonus to policyholders	**370,400**	**-**	**370,400**	236,516	-	236,516
At 31 December	**17,996,919**	**-**	**17,996,919**	15,514,688	-	15,514,688

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2009			2008		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**113,835**	**-**	**113,835**	98,843	-	98,843
Movements for the year	**(23,966)**	**-**	**(23,966)**	14,992	-	14,992
At 31 December	**89,869**	**-**	**89,869**	113,835	-	113,835

(b) Provisions for future non-participating benefits and claims

	2009			2008		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January as previously reported	**756,652**	**-**	**756,652**	752,331	-	752,331
Transfer to reserves for future distribution	**-**	**-**	**-**	(69,839)	-	(69,839)
At 1 January as restated	**756,652**	**-**	**756,652**	682,492	-	682,492
Increase in insurance contract provisions	**136,074**	**-**	**136,074**	74,160	-	74,160
At 31 December	**892,726**	**-**	**892,726**	756,652	-	756,652
At 31 December (a) + (b)	**982,595**	**-**	**982,595**	870,487	-	870,487

13. Insurance contract provisions (continued)

Movements in insurance contract provisions (continued)

Investment Linked Fund

Provision for investment linked contracts

	2009			2008		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**945,320**	**-**	**945,320**	1,285,752	-	1,285,752
Increase/(decrease) in insurance contract provision	**321,270**	**-**	**321,270**	(340,432)	-	(340,432)
At 31 December	**1,266,590**	**-**	**1,266,590**	945,320	-	945,320

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2009			2008		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**373,054**	**(20,771)**	**352,283**	325,843	(11,695)	314,148
Increase in insurance contract provision	**39,246**	**(9,494)**	**29,752**	47,211	(9,076)	38,135
At 31 December	**412,300**	**(30,265)**	**382,035**	373,054	(20,771)	352,283

(b) Provision for unexpired risks

	2009			2008		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**197,499**	**(9,949)**	**187,550**	154,715	(13,287)	141,428
Movements for the year	**(33,171)**	**1,843**	**(31,328)**	42,784	3,338	46,122
At 31 December	**164,328**	**(8,106)**	**156,222**	197,499	(9,949)	187,550
At 31 December (a) + (b)	**576,628**	**(38,371)**	**538,257**	570,553	(30,720)	539,833

14. Insurance and other receivables

	2009					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding premiums	**32,478**	**25,715**	**301**	**15,674**	**-**	**74,168**
Accrued interest receivable	**36**	**-**	**-**	**-**	**-**	**36**
Investment receivables	**29,313**	**564**	**14,304**	**36**	**407**	**44,624**
Trade receivables	**32**	**3,668**	**-**	**4,137**	**354**	**8,191**
Other receivables	**15,630**	**-**	**1,131**	**165**	**4,398**	**21,324**
Interfund balances	**20,737**	**-**	**3,458**	**9**	**34,263**	**58,467**
	98,226	**29,947**	**19,194**	**20,021**	**39,422**	**206,810**
Less: Allowance for impairment losses	**(66)**	**(446)**	**-**	**(6,620)**	**-**	**(7,132)**
	98,160	**29,501**	**19,194**	**13,401**	**39,422**	**199,678**

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding premiums	28,536	34,964	-	30,147	-	93,647
Accrued interest receivable	71	1	-	-	-	72
Investment receivables	67,167	308	7,755	157	643	76,030
Trade receivables	20	4,591	-	1,559	867	7,037
Other receivables	15,530	491	1,451	639	4,803	22,914
Interfund balances	20,629	187	-	617	3,845	25,278
	131,953	40,542	9,206	33,119	10,158	224,978
Less: Allowance for impairment losses	(506)	(446)	-	(7,291)	-	(8,243)
	131,447	40,096	9,206	25,828	10,158	216,735

At balance sheet date, all insurance and other receivables are current, and the carrying amounts approximate their fair value.

14. Insurance and other receivables (continued)

Movements in allowance for impairment losses for the financial year are as follows:

	2009					
	Life Insurance Par Fund $'000	**Life Insurance Non-Par Fund $'000**	**Investment Linked Fund $'000**	**General Insurance Fund $'000**	**Share holders' Fund $'000**	**Total $'000**
At 1 January	**506**	**446**	**-**	**7,291**	**-**	**8,243**
Amount written back	**(440)**	**-**	**-**	**(671)**	**-**	**(1,111)**
At 31 December	**66**	**446**	**-**	**6,620**	**-**	**7,132**

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
At 1 January	30	466	-	4,490	-	4,986
Impairment loss during the year	476	-	-	2,801	-	3,277
Amount written back	-	(20)	-	-	-	(20)
At 31 December	506	446	-	7,291	-	8,243

15. Cash and cash equivalents

	2009					
	Life Insurance Par Fund $'000	**Life Insurance Non-Par Fund $'000**	**Investment Linked Fund $'000**	**General Insurance Fund $'000**	**Share holders' Fund $'000**	**Total $'000**
Fixed deposits with banks	**569,445**	**36,500**	**5,000**	**32,293**	**20,000**	**663,238**
Cash and bank balances	**355,467**	**51,957**	**26,569**	**48,597**	**11,621**	**494,211**
	924,912	**88,457**	**31,569**	**80,890**	**31,621**	**1,157,449**

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Fixed deposits with banks	559,164	30,000	4,528	34,098	-	627,790
Cash and bank balances	525,859	36,981	44,572	39,051	14,432	660,895
	1,085,023	66,981	49,100	73,149	14,432	1,288,685

Included in fixed deposits with banks in Life Insurance Par Fund is $103 million (2008: $78.6 million) of Singapore currency deposits which are segregated assets of the surplus account maintained in accordance with Insurance (Valuation and Capital) Regulations 2004.

16. Insurance and other payables

2009

	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	**17,304**	**26,452**	**-**	**1,206**	**-**	**44,962**
Insurance and reinsurance payables	**28,861**	**2,601**	**194**	**6,611**	**-**	**38,267**
Investments and other payables	**156,877**	**6,047**	**14,012**	**15,123**	**10,259**	**202,318**
Contribution to Singapore Labour Foundation	**-**	**-**	**-**	**-**	**35,352**	**35,352**
Contribution to Central Co-operative Fund	**-**	**-**	**-**	**-**	**25**	**25**
Interfund balances	**9,020**	**32,486**	**-**	**16,961**	**-**	**58,467**
	212,062	**67,586**	**14,206**	**39,901**	**45,636**	**379,391**
To be settled within 12 months	**193,186**	**59,264**	**14,206**	**39,901**	**45,636**	**352,193**
To be settled after 12 months	**18,876**	**8,322**	**-**	**-**	**-**	**27,198**
	212,062	**67,586**	**14,206**	**39,901**	**45,636**	**379,391**

2008

	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	17,847	25,530	-	1,786	-	45,163
Insurance and reinsurance payables	30,875	8,379	-	7,133	-	46,387
Investments and other payables	221,472	9,323	24,821	14,159	14,302	284,077
Contribution to Singapore Labour Foundation	-	-	-	-	-	-
Contribution to Central Co-operative Fund	-	-	-	-	-	-
Interfund balances	3,852	9,705	-	11,104	617	25,278
	274,046	52,937	24,821	34,182	14,919	400,905
To be settled within 12 months	263,662	45,415	24,821	34,182	14,919	382,999
To be settled after 12 months	10,384	7,522	-	-	-	17,906
	274,046	52,937	24,821	34,182	14,919	400,905

At balance sheet date, the carrying amounts of insurance and other payables approximate their fair value.

17. Share capital

	2009	2008
	$'000	$'000
Shareholders' Fund		
Authorised:		
100,000,000 participating shares of $10 each	**1,000,000**	1,000,000
Issued and fully paid participating shares:		
At 1 January	**437,961**	438,800
Issue of shares	**3,626**	1,467
Redemption of shares	**(2,974)**	(2,306)
At 31 December	**438,613**	437,961

Issue of shares	2009	2008	2009	2008
	Number of shares		$'000	$'000
Shares issued from reinvestment of dividends declared on unvested Deferred Incentive Scheme shares	**7,128**	38,928	**71**	389
Shares issued to employees for long service award	**8,540**	23,600	**85**	236
Shares issued for cash in respect of new subscriptions	**346,968**	84,232	**3,470**	842
	362,636	146,760	**3,626**	1,467

The newly issued shares rank pari passu in respect of distribution of dividends and bonus shares with the existing shares.

NTUC Income Insurance Co-operative Limited Members and their rights

Members of the Co-operative consist of:

(i) The Singapore National Trades Union Congress which is designated the Founder Member;

(ii) Trade Unions and Registered Societies as may be accepted by the Board of Directors, and the Singapore Labour Foundation, which are designated Institutional Members;

(iii) Any person over the age of 18 years who has an assurance or insurance on his/her life with the Co-operative, and who at the time of proposal was a resident in Singapore, is designated an Ordinary Member;

(iv) Any person over the age of 18 years, who holds a minimum of ten participating shares in the Co-operative and who at the time of purchase was a resident in Singapore, is designated a Participating Member.

Any Member of the Co-operative may vote at any General Meeting of the Co-operative. Ordinary and Participating members having one vote each, and Institutional Members and the Founder Member, having one vote for each share they hold.

17. Share capital (continued)

Any Institutional, Ordinary or Participating Member may withdraw his/her shares, subject to a notice period of one year, or such other limitations as the Board of Directors may decide in accordance with the Rules and By-Laws. The member withdrawing shall be entitled on the expiry of his notice to receive as the value of his shares, not more than what he/she paid for them, nor more than their value, as disclosed by the last Balance Sheet prepared by the Co-operative or the last actuarial valuation of the Co-operative, whichever is later.

In the event of the winding up of the Co-operative, the assets, including the reserve fund, shall be applied first to the cost of liquidation, then to the discharge of the liabilities of the Co-operative, then to the payment of the share capital or subscription capital, and then, provided that the by-laws of the Co-operative permit, to the payment of a dividend or patronage refund at a rate not exceeding that laid down in the Rules or in the By-Laws.

Any monies remaining after the application of the funds to the purposes specified in the above paragraph (section 88 of Co-operative Societies Act) and any sums unclaimed after two years under Section 89 (2) (which relates to claims of creditors), shall not be divided among the Members but shall be carried to the Co-operative Societies Liquidation Account kept by the Registrar.

A sum carried to the Co-operative Societies Liquidation Account shall be kept in this Account for at least two years. Out of the Co-operative Societies Liquidation Account such sums may be transferred to the Central Co-operative Fund, or applied generally for the furtherance of co-operative principles in such manner, as the Minister may determine from time to time.

The participating shares are presented as equity on the balance sheet. The redemption rights of the participating shareholders and the requirements of Financial Reporting Standard 32, Financial Instruments: Presentation are described in note 2(s) of significant accounting policies.

18. Reserves for future distribution

The Group has designated an amount of $422,957,000 (2008: $391,480,000) as reserves for future distribution to satisfy capital requirements. These capital requirements are stipulated by the Monetary Authority of Singapore. This amount relates to the ElderShield and IncomeShield business. The IncomeShield business was previously included as part of insurance contract provisions. The reserves are set aside because the current experience of the portfolio is favourable hence leading to surpluses emerging.

However, because the underlying risk for IncomeShield and ElderShield is uncertain and of a long term nature, it is prudent to earmark this amount as being available only for distribution when the trend of the experience can be clearly established.

19. Fee and other income

	2009				
	Life Insurance Par Fund $'000	**Life Insurance Non-Par Fund $'000**	**Investment Linked Fund $'000**	**General Insurance Fund $'000**	**Total $'000**
Reinsurance commission	**338**	**765**	**-**	**4,680**	**5,783**
Management and other fees	**16,811**	**-**	**-**	**-**	**16,811**
	17,149	**765**	**-**	**4,680**	**22,594**

	2008				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Reinsurance commission	-	492	-	4,094	4,586
Management and other fees	22,349	-	-	-	22,349
	22,349	492	-	4,094	26,935

Notes To The Financial Statements

For the financial year ended 31 December 2009

20. Net investment income/(losses) and fair value gains/(losses)

	2009					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Interest income						
- cash and cash equivalents	1,220	38	31	25	11	1,325
- loans	38,475	-	-	120	1	38,596
	39,695	38	31	145	12	39,921
Dividend income	131,269	7,768	20,860	156	9,819	169,872
Net rental income:						
- rental income	61,313	-	-	-	-	61,313
Less: Investment properties maintenance	(17,223)	-	-	-	-	(17,223)
	44,090	-	-	-	-	44,090
Realised gain on sale of AFS investments	3,898	-	-	221	(188)	3,931
Gain/(loss) on changes in fair value of:						
- investments designated as fair value through profit/loss	1,880,879	125,539	288,168	23,029	134,156	2,451,771
- derivatives	(28,239)	(718)	7,017	71	(1,493)	(23,362)
- investment properties	(73,411)	-	-	-	-	(73,411)
	1,779,229	124,821	295,185	23,100	132,663	2,354,998
Less: Investment expenses	(30,330)	(1,184)	(13,392)	(692)	(512)	(46,110)
Allowance for impairment written back/(made) on:						
- loans	1,690	-	-	(3)	-	1,687
- available-for-sale investments	(18,186)	-	-	(198)	110	(18,274)
	(16,496)	-	-	(201)	110	(16,587)
Loans written off	(887)	-	-	(56)	-	(943)
Others	1,695	1	421	1,215	21	3,353
Net investment income/(losses) and fair value gains/(losses)	1,952,163	131,444	303,105	23,888	141,925	2,552,525

20. Net investment income/(losses) and fair value gains/(losses) (continued)

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Interest income						
- cash and cash equivalents	7,543	525	572	451	241	9,332
- loans	33,553	-	-	164	-	33,717
	41,096	525	572	615	241	43,049
Dividend income	150,029	7,564	22,228	1,196	13,637	194,654
Net rental income:						
- rental income	66,420	-	-	-	-	66,420
Less: Investment properties maintenance	(17,165)	-	-	-	-	(17,165)
	49,255	-	-	-	-	49,255
Realised gain on sale of AFS investments	13,285	-	-	1,417	-	14,702
Gain/(loss) on changes in fair value of:						
- investments designated as fair value through profit/loss	(1,988,692)	(40,718)	(398,049)	48,513	(224,302)	(2,603,248)
- derivatives	(31,954)	246	1,409	(5)	1,929	(28,375)
- investment properties	(15,987)	-	-	-	-	(15,987)
	(2,036,633)	(40,472)	(396,640)	48,508	(222,373)	(2,647,610)
Less: Investment expenses	(29,155)	(3,236)	(12,335)	(3,119)	(1,206)	(49,051)
Allowance for impairment written back/(made) on:						
- loans	631	-	-	13	-	644
- available-for-sale investments	(113,462)	-	-	(1,410)	1,125	(113,747)
	(112,831)	-	-	(1,397)	1,125	(113,103)
Loans written off	(1,368)	-	-	(189)	-	(1,557)
Others	1,636	10	31	(2,619)	6	(936)
Net investment (losses)/income and fair value (losses)/gains	**(1,924,686)**	**(35,609)**	**(386,144)**	**44,412**	**(208,570)**	**(2,510,597)**

21. Management expenses

The following items are included in management expenses:

	The Group	
	2009	2008
	$'000	$'000
Staff costs		
- Salaries, commission, bonuses and staff benefits	77,396	73,849
- Employer's contribution to defined contribution	8,544	7,709
Advertising and promotion	10,290	6,757
Depreciation & amortisation	7,825	7,772
Printing, postage and stationery	5,657	7,669
Rental	6,277	6,042

Overheads incurred by our investment and investment operations departments have been reported as investment expenses instead of management expenses.

Accordingly the comparatives have been reclassified. There is no impact on the profit and loss account for the current year. The effect of the reclassification is as follows:

	The Group	
	2009	2008
	$'000	$'000
Increase investment expenses	9,641	5,186
Decrease management expenses	(9,641)	(5,186)

22. Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

In addition to the related party information shown elsewhere in the financial statements, the following significant related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

(a) Sales and purchases of goods & services

	The Group	
	2009	2008
	$'000	$'000
Charges by subsidiaries for sales of merchandise, marketing, promotion, travel and rental car services rendered	346	1,329
Interest received from subsidiaries for loans granted	142	302
Fee paid to an associate		
- in relation to management of investment properties	2,562	1,502
Fees receivable from subsidiaries	70	141

22. Related party transactions (continued)

(b) Key management personnel compensation

	The Group	
	2009	**2008**
	$'000	$'000
Salaries and other benefits	**5,194**	6,757
Employer's contribution to defined contribution	**120**	129
Directors fees	**281**	248
	5,595	7,134

23. Dividends

	2009	**2008**
	$'000	$'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 30 cents (2008: 60 cents) per share	**12,898**	26,149

The Directors have proposed a dividend of 60 cents per share (2008: 30 cents per share) and a special dividend of 30 cents per share (2008: nil) amounting to $39,500,000 (2008: $13,138,000) to be paid in respect of the financial year ended 31 December 2009. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2010 after declaration of the dividend by the Directors.

24. Accumulated surplus of Life Insurance Par Fund

In accordance with regulations, a surplus account is maintained whereby surpluses not transferred to the Shareholders' Fund are retained in the surplus account to strengthen the Life Insurance Par Fund. The quantum retained in the surplus account is approved by the Board on the recommendation of the Appointed Actuary.

25. Accumulated surplus of Shareholders' Fund and other insurance funds

The net accumulated surplus of the Shareholders' Fund and other insurance funds of the Group of $628,025,000 (2008: $390,036,000) (comprising accumulated surplus of $670,181,000 (2008: $561,175,000) in other insurance funds less the accumulated loss of $42,156,000 (2008: $171,139,000) in the Shareholders' Fund) represents the amount available for distribution to the members of the Group except for accumulated surplus of $317,141,000 (2008: $297,035,000), which is not distributable and must be maintained to meet regulatory capital requirement prescribed in the Valuation and Capital Regulations 2004 under MAS Insurance Act as determined by the Appointed Actuary, and to meet other statutory requirements.

26. Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

(a) Capital commitments

	The Group	
	2009	2008
	$'000	$'000
Life Insurance Par Fund		
Outstanding investment commitments	**487,289**	411,404
	487,289	411,404

26. Commitments (continued)

(b) Operating lease commitments (where the Group is a lessor)

The Group leases out retail and residential space from their investment properties to non-related parties under non-cancellable operating leases. The lessees are required to pay fixed rental payments during the lease period. The future rent receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group	
	2009 **$'000**	2008 $'000
Not later than one year	**50,999**	57,432
Between one and five years	**50,999**	57,432

27. New or revised accounting Standards and Interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) **Amendments to FRS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items** (effective for annual periods beginning on or after 1 July 2009)

This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group will apply this amendment from 1 January 2010, but it is not expected to have a material impact on the financial statements.

(b) **FRS 27 (Revised) Consolidated and Separate Financial Statements** (effective for annual periods beginning on or after 1 July 2009)

FRS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (revised) prospectively to transactions with minority interests from 1 January 2010.

(c) **FRS 103 (Revised) Business Combinations** (effective for annual periods beginning on or after 1 July 2009)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (revised) prospectively to all business combinations from 1 January 2010.

28. Authorisation for issue

These financial statements were approved by the Board of Directors at a meeting held on 19 March 2010 and authorised for release on 19 March 2010.

Founder & Institutional Members

As at 31 December 2009

FOUNDER MEMBER	No of Shares
National Trades Union Congress	7011344

INSTITUTIONAL MEMBERS	
NTUC Income Insurance Co-operative Ltd	1169994
Singapore Labour Foundation	798560
Singapore Manual & Mercantile Workers' Union	535467
NTUC Income Insurance Co-operative Ltd (DIS)*	245958
Singapore Maritime Officers' Union	470386
National Transport Workers' Union	406984
United Workers of Electronic & Electrical Industries	385719
Amalgamated Union of Public Employees	321601
Singapore Bank Employees' Union	273301
Shipbuilding & Marine Engineering Employees' Union	204808
Singapore Mercantile Co-operative Society Ltd	198350
Singapore Airlines Staff Union	195470
NTUC Fairprice Co-operative Ltd	183267
Healthcare Services Employees' Union	161805
Metal Industries Workers' Union	149010
Singapore Industrial & Services Employees' Union	129397
Union of Telecoms Employees of Singapore	129237
Singapore Credit Co-operative League Ltd	127830
NTUC First Campus Co-operative Ltd	120019
Singapore Teachers' Co-operative Society Ltd	118058
United Workers of Petroleum Industry	113558
Singapore Insurance Employees' Union	112865
ExxonMobil Employees Co-operative Ltd	103250

INSTITUTIONAL MEMBERS	No of Shares
Singapore Shell Employees' Union	101962
HDB Staff Union	100000
Singapore Organisation of Seamen	90341
Singapore Shell Employees Union Co-operative Ltd	83463
Food, Drinks & Allied Workers' Union	80269
Union of Power & Gas Employees	78029
ExxonMobil Singapore Employees' Union	76711
Amalgamated Union of Statutory Board Employees	67386
Singapore Port Workers Union	66517
NatSteel Employees' Union	63104
Chemical Industries Employees' Union	60133
Singapore Teachers' Union	57115
Singapore National Co-operative Federation Ltd	57075
Singapore Airport Terminal Services Workers' Union	55857
Singapore Government Staff Credit Co-operative Soc Ltd	55392
Inland Revenue Authority of Singapore Staff Union	48580
Singapore Bank Officers' Association	46640
Straits Times Press Co-operative T & L Society Ltd	45790
Customs Credit Co-operative Society Ltd	45599
PUB Employees' Union	41588
Keppel FELS Employees' Union	39095
Building Construction & Timber Industry Employees' Union	35906
Temasek Polytechnic Co-operative Society Ltd	35880
Singapore Public Works Employees' Credit Co-op Soc Ltd	35625
Citiport Credit Co-operative Ltd	35580
Union of ITE Training Staff	34959
Singapore Urban Redevelopment Authority Workers' Union	33748

Founder & Institutional Members

As at 31 December 2009

INSTITUTIONAL MEMBERS	No of Shares
Singapore Press Holdings Employees' Union	33450
DBS Staff Union	30222
Singapore Union of Broadcasting Employees	29629
Singapore Police Co-operative Society Ltd	29613
Staff Union of NTUC-ARU	26711
Air-Transport Executive Staff Union	25761
NTUC Media Co-operative Ltd	25412
Changi International Airport Services Employees' Union	23968
AUPE Multi-Purpose Co-operative Society Ltd	21292
NTUC Healthcare Co-operative Ltd	20288
Singapore Prison Multi-Purpose Co-operative Soc Ltd	20100
Telecoms Credit Co-operative Ltd	17195
Singapore Statutory Boards Employees' T & L Soc Ltd	16769
Ceylon Tamils Multi-Purpose Co-operative Ltd	16719
Sembawang Shipyard Employees' Union	16407
Ngee Ann Polytechnic Academic Staff Union	15325
Premier Security Co-operative Ltd	14200
UTES Multi-Purpose Co-operative Society Ltd	13304
TRC Multi-Purpose Co-operative Society Ltd	12919
Ngee Ann Poly Consumer Co-operative Society	12810
Singapore Stevedores' Union	9073
Singapore Refining Companies Employees' Union	8255
Keppel Employees' Union	6154
Industrial & Services Co-operative Society Ltd	6095
Singapore Polytechnic Co-operative Ltd	5818
Union of Security Employees	4763
NUS Multi-Purpose Co-operative Society Ltd	4420

INSTITUTIONAL MEMBERS	No of Shares
Singapore Interpreters' & Translators' Union	4218
Education Services Union	3729
Times Publishing Group Employees' Union	3427
Port Officers' Union	3312
Jurong Shipyard Multi-Purpose Co-operative Society Ltd	3306
Singapore Technologies Electronics Employees' Union	2973
DEW Credit Co-operative Ltd	2875
Singapore Tamil Teachers' Union	2756
Attractions, Resorts & Entertainment Union	2382
Energy & Utilities Employees' Co-operative Ltd	2369
SIA Engineering Company Engineers & Executives Union	2300
Singapore Bank Employees Co-op T & L Soc Ltd	2130
Amalgamated Union of Public Daily-Rated Workers	2077
Singapore National Union of Journalists	1856
Spring Singapore Staff Union	417
Singapore Government Shorthand Writers' Association	309
Singapore Malay Teachers' Union	141
Singapore Chinese Teachers' Union	21
Reuters Local Employees Union	10

* Held on behalf of staff

Notice Of Annual General Meeting

NOTICE IS HEREBY given that the Fortieth Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Thursday, 27 May 2010, at 6.00 pm at the Auditorium, 7th Floor, NTUC Centre, One Marina Boulevard, Singapore 018989.

AGENDA

1 To confirm the minutes of the 39th Annual General Meeting held on 29 May 2009.

2 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2009.

3 To consider the Actuary's Report and to endorse the proposals of the Board of Directors for the allocation of the surplus.

4 To consider and adopt the proposed amendments to the By-Laws as set out in Appendix A of the Annual Report.

5 To declare a dividend to shareholders for the financial year ended 31 December 2009.

6 To approve the payment of honoraria to directors.

7 To approve the maximum borrowing limit of the Co-operative at $50 million under By- Law 30.

8 To re-appoint Messrs PricewaterhouseCoopers as external auditors of the Co-operative for the financial year ending 31 December 2010.

9 To consider such other business not included in this notice of which at least ten days' notice in writing shall have been given to the Secretary.

BY ORDER OF THE BOARD OF DIRECTORS

Thanalakshmi d/o M R Balakrishnan
Secretary

Singapore
27 April 2010

MICA (P) 113/04/2010

A **RAINDANCE** Design & Production

NTUC Income Insurance Co-operative Limited
NTUC Income Centre
75 Bras Basah Road
Singapore 189557

www.income.com.sg