Opening address by Mr Ronald Ong, Chairman, Income Insurance Limited at the Annual General Meeting on June 24, 2025

Introduction

Good evening and welcome to the Annual General Meeting of Income Insurance Limited.

I will now call the meeting to order. I have been informed that there is a quorum for this Meeting.

Before we embark on the formal proceedings of this Meeting, there are three matters that I would like to address.

The first matter pertains to questions around corporatisation, the second addresses clarifications around Allianz's proposed offer for Income Insurance, and the third relates to my decision not to stand for re-election at today's AGM.

Following which, I will pass the time to Income Insurance's Chief Executive Andrew Yeo to share about the company's key performance and business updates. Ury Gan, Income Insurance's CFO, will then elaborate on the company's 2024 financial performance. Following that, we will begin the formal proceedings of the AGM.

Corporatisation

Let me begin by emphasising that Income Insurance's Board and management have always acted in good faith on all matters related to the company, guided by the long-term interests of Income Insurance and our stakeholders.

Over the last 55 years, Income Insurance's operating environment has undergone significant shifts. These include a mature domestic insurance market, increasing regulatory expectations and requirements, as well as intensive competition from insurers with extensive distribution scale and access to growth channels and markets, both locally and regionally.

Today, there are more than 12 life and health insurers and over 40 competitors in general insurance in Singapore, largely served by foreign insurers. No single insurer dominates in providing the most affordable or innovative insurance products. As President Tharman, in his former capacity as Senior Minister and Minister in charge of MAS, said in parliament previously, the best way to have affordable prices and a wide choice of products is to ensure a vibrant and competitive industry.

Thus, we saw the corporatisation of Income Insurance as vital for levelling the playing field, by enabling the company to achieve operational flexibility and gain access to strategic growth options to compete on an equal footing with other insurers here and abroad.

More significantly, we must recognise that our success, thus far, would not have been possible without the numerous capital injections by NE over the years. NE's capital injections were necessary as it was assessed that in turbulent times, Income Insurance's solvency may come under pressure and hence, it was necessary to shore up Income Insurance's capital adequacy. This is especially so as the insurance business is capital intensive.

However, Income Insurance's co-operative structure would have posed challenges to its ability to raise equity capital.

This was because, under the then Co-operative Societies Act ("CSA") and the by-laws of NTUC Income, institutional members must be co-operatives and trade unions, while ordinary members (being individual persons) must meet certain requirements under the CSA and the by-laws.

Furthermore, due to the redeemable feature of co-operative ordinary shares, such shares cannot be counted towards Income Insurance's regulatory capital position and solvency. Simply put, the capital contributed by ordinary members then was treated as debt and not a source of equity capital.

When the CSA introduced a new class of permanent shares in 2018 for institutional members, only NE stepped forward to convert their shares to permanent status. No other institutional members did. This meant that only NE's shareholding in Income Insurance was regarded as Tier-1 capital that counted towards the company's regulatory capital and solvency position.

With improved financial strength via NE's capital injections over the years, Income Insurance has been empowered to pursue diverse strategic business initiatives that had supported its growth and market competitiveness.

However, we are highly cognisant that regular capital injections from NE, as Income Insurance's only source of Tier-1 capital under the co-operative structure, was not a sustainable solution to capitalise Income Insurance in the long-run.

The COVID-19 pandemic in 2020 was a case in point.

NE injected S$100 million and had another S$300 million on standby to safeguard Income Insurance's solvency. In addition, we also issued S$800 million in subordinated bonds.

While Income Insurance's capital adequacy remains strong under current conditions, the numerous regulatory capital changes and intensifying competition made it evident that Income needs to enhance its capital resilience to support its growth ambitions in the long-term.

As such, we saw the urgency for Income Insurance to break out of the co-operative status quo so that it could be better placed to potentially gain access to other capital sources if required.

At the time of corporatisation in 2022, I had said that it takes foresight to embark on the corporatisation exercise as it safeguards Income Insurance's future-readiness as a business in an increasingly dynamic and complex operating landscape. It was a step in the right direction so that Income Insurance is empowered to continue building its business and to create long-term value for all our stakeholders, including our policyholders and shareholders.

This must not be misconstrued that Income Insurance was coming from a position of weakness. We remain financially strong, and our capital adequacy ratio is sustained at a healthy level. Today, we are a market leader in health and general insurance and are most trusted amongst insurers in Singapore.

However, the fact that Income Insurance's market share in life insurance has been weakening since 2010 indicates that strengthening Income Insurance's ability to compete more effectively is necessary. This is especially so when we continue to face intense competition and significant shifts in our operating environment.

Shareholder Participation in Long-term Value Creation

In addition to removing the restrictions that we faced under the co-operative structure to access strategic growth options and capital; corporatisation also enabled us to potentially unlock our equity value.
In the interest of shareholders, all cooperative shares were converted, pari-passu, to the corporate entity, Income Insurance's shares on a 1-for-1 basis during corporatisation even though ordinary co-op shares were redeemable and could not count towards Tier-1 capital, unlike permanent shares.

As a shareholder of Income Insurance, you are now participating in the company's economic interest and its growth and will be able to participate in any liquidity event involving the shares of Income Insurance.

On voting rights, all shareholders now have one vote per share compared to ordinary shareholders having one man one vote when we were a cooperative. Correspondingly, minority shareholders now have more voting rights as their vote count has risen to more than 26% compared to less than 1% previously, when we were a co-op.

Securing a Suitable Strategic Option for Growth

The Board's and Management's priority has always been to create long-term value for Income Insurance and all our stakeholders, including our policyholders and shareholders. As such, prior to corporatisation in 2021, we also considered different strategic growth options such as regionalisation, merger and acquisitions, as well as joint ventures.

We had embarked on corporatisation to give the company operational flexibility and platform to access these strategic options and access to capital to drive its growth ambition and create value for all our stakeholders, including our policyholders and shareholders.

Allianz's Proposed Offer for Income Insurance

The Board and management had been reviewing Income Insurance's business going forward, its ability to regain market share in Singapore and expand its business into the region, as well as new product innovation and other initiatives. The consensus was that to do well and grow, Income Insurance needed to find a partner and shareholder to help with these priorities.

It was with this objective that, Income Insurance re-initiated the process of looking at potential partners and finding the most suitable one who shares our vision and goals for the business and community."

It was important to us that our potential strategic partner has deep expertise as a regional or global player in the financial or insurance sector, including strong capabilities in asset management, and possesses capital strength to safeguard our long-term financial resilience.

On these fronts, Allianz ticked the boxes. Allianz's expertise as a global leader in insurance can strengthen Income Insurance's competitive position in Singapore and enable Income Insurance to access its regional scale and networks. This is especially important in a highly saturated insurance market that is dominated by regional and global players.

Secondly, Allianz's solid track record as a global leader in asset management could have enhanced our investment capabilities for the benefit of policyholders.

Thirdly, Allianz's financial strength would have provided additional support to us, where required, especially in times of extreme crisis.

The backing of two strong institutional investors, NE and Allianz, would have strengthened our competitiveness and establish us as a composite insurance powerhouse as we integrate our capabilities in distribution, partnerships, products and people with Allianz's global and regional resources and expertise.
It would have also further safeguarded our ability to fulfil our enduring purpose of empowering better financial well-being for all.

Importantly, a viable liquidity option was a persistent, strong and increasingly urgent request from our minority shareholders, who have been supporting Income Insurance from its early days and now need the liquidity to support them in their ageing years, If Allianz's offer were approved, launched and accepted by shareholders, these shareholders would have a share liquidity option to unlock the value of their shares at S$40.58 per share. Such a liquidity option was a request that many shareholders have put forth since we corporatised.

To facilitate this and prioritise their request, the minority shareholders would be accorded priority to tender their shares and only after that, would NE tender its shares on the last day of the offer and only to the extent that will result in Allianz holding at least 51% of the shares of Income Insurance. This was done expressly to ensure that the minority shareholders' interests were not prejudiced.

We would like to assure shareholders that we are keeping our options open and are continuing to explore different share liquidity options, which can include a share buyback programme. We will update shareholders of any material development accordingly.

Proposed Capital Optimisation Does Not Weaken Financial Position

Next, I would like to address any perception that Allianz's proposed capital optimisation would weaken our financial strength.

Firstly, it is important to know that there was no commitment to conduct a capital optimisation. However, Allianz had included the capital optimisation proposal in their preliminary business plan that it submitted to the MAS.

At that point in time in the process, Allianz's preliminary business plan, which included the proposed capital optimisation, was not for approval by the current Board of Income Insurance or NTUC Enterprise.

If the Offer were formally launched, based on the process stipulated under the Singapore Code on Take-overs and Mergers, all shareholders would have been informed about the details of the Offer, including the possibility of a proposed capital optimisation, via the composite document that would have been made public. However, the government raised concerns about the deal on 14 October 2024, the Offer was withdrawn on 16 December 2024 and thus, it was not launched.

At the point of the Pre-conditional Offer, the Board's fiduciary duty was to ensure that the proposed transaction was launched in the best interest of Income Insurance, including its stakeholders, policyholders and shareholders.

The Board was of the view that Allianz's offer for S$40.58 per share of Income Insurance shares was in the best interest of Income Insurance and its stakeholders, taking into account Allianz being able to lend its expertise as a global leader in insurance, which I had shared earlier, to strengthen Income Insurance's competitive position in Singapore.

Allianz's proposed capital optimisation was not a guaranteed outcome. It was contingent on Income Insurance's business performance, market conditions in subsequent years and the organisation's solvency and capital requirements at the time. It would also require approvals by the future Board of Directors at the time of the capital optimisation exercise, shareholders (requires at least 75% approval at a special resolution), and the MAS and possibly the High Court of Singapore. All these approvals would have been required before any potential capital optimisation exercise could have taken place.

These safeguards would have been in place to ensure that Income Insurance will always retain its financial strength, and that the capital and cash reserves it has following any capital optimisation, if it were to happen, will be sufficient to meet its business requirements and maintain policyholders' interests.

In fact, a capital optimisation is a recognised and lawful corporate action under the Companies Act. It is commonly undertaken by financially sound companies to optimise their capital structure or return surplus capital to shareholders.

Being able to do so is a mark of financial strength as the company must have a strong capital base and buffer to implement a capital optimisation plan successfully.

In the statement delivered by Minister Edwin Tong on 14 October 2024, he said, "MAS considered the planned capital optimisation from a prudential point of view, in accordance with its regulatory mandate. Based on the plans submitted, MAS did not have reason for concern as Income Insurance was projected to continue to meet regulatory capital requirements with a healthy margin even with the capital optimisation."

The main concern of MCCY was that it was not confident that the deal would not affect the ability of Income Insurance to carry out its social mission. One key point was that there was no clear binding provision in the deal to ensure that Income Insurance's social mission will be discharged, though MCCY accepts that NE made in good faith its commitment to maintain Income Insurance's social mission. We will take MCCY's concerns fully on board.

Carrying Over the Co-op Surplus to Corporate Entity

Now, I would like to give clarity on the public perceptions that surfaced during the proposed deal.

The first is about the surplus fund of around S$2 billion that we carried over from NTUC Income, the co-operative society, to Income Insurance, the company, and what the surplus fund was used for.

Firstly, the surplus fund was the profits that Income Insurance had accumulated since its inception in 1970. Typically, such surplus must be transferred to the Co-operative Societies Liquidation Account or CSLA when a co-operative ceases and is wound up, according to the Co-operative Societies Act.

At the time of corporatisation, the Income Insurance co-operative was granted an exemption by the Government to carry over the surplus funds to support and continue the business of the current entity, Income Insurance Limited. This was because we were not ceasing the business but changing our form from a co-operative to a corporate entity.

The carrying over of the accumulated surplus was necessary and fundamental in ensuring that we remained solvent to discharge our legal and regulatory obligations so that we seamlessly protect the interest of 1.4 million policyholders as the company transitioned from a co-operative to a corporate entity. In short, without these surplus funds, Income Insurance would not have been able to continue the business.

Therefore, the surplus fund was not returned to the CSLA given that the Government accepted our reasons for the exemption and granted us the exemption.

We Are Fully Aligned with Our Purpose

I would like to say that since our founding years, our mission has been to be a fully commercial business competing effectively by providing affordable, inclusive insurance solutions and generating profits for unions and to be financially stable so that we could discharge our legal and regulatory obligations to protect the interest of our policyholders and shareholders and to empower financial well-being for all.

Over the years, this mission has remains steadfast, even as we moved from being a co-op to a corporate entity to continue to fulfil those principles.

Income Insurance's continued efforts to make a difference to society and communities is also contingent on this ability to a run a healthy, profitable insurance business. It is what allows Income Insurance to make contribution such as the S$100 million committed over 10 years, since 2021, to support communities.

Always Acted in Good Faith – Committed to Putting People First Always

To conclude, I would like to state that in the last three years, from corporatisation to the pursuit of the proposed transaction, on reflection, we could have done more to engage our stakeholders better.

However, I also want to emphasise that we have always acted in good faith with regard to our duties as a Board.

As we celebrate Income Insurance's 55th anniversary this year, I want to take the opportunity to thank all our shareholders for your continued support and trust. We are committed to deliver sustainable value and be in a stronger position to empower the financial well-being of Singaporeans.

Stepping Down as Chairman of Income Insurance

I have been serving as Chairman for the last seven years – four years at the co-operative and three years with Income Insurance. I believe that now is the right time for me to take on additional responsibilities at NTUC Enterprise.

Steering Income Insurance over the years has been personally both challenging and rewarding. It has also been a source of pride because I genuinely believe the significant progress we have made over these years has positioned Income Insurance well for future success. The Board's decisions have always been guided by what is in the best interests of Income Insurance and all our stakeholders, including our policyholders and shareholders.

While Income Insurance's competitive reality has changed over the years, it is undeniable that we continue to enjoy strong trust and loyalty, and the true value of this trust and loyalty shows up most in challenging times. The fact that we remained the most trusted insurer in Singapore and our policyholder base stayed constant last year validates that trust and loyalty that Singaporeans have in Income Insurance.

The progress over the last seven years would not have been possible without the support and commitment of my fellow directors, Andrew and the management of Income Insurance, as well as all of you, our shareholders and policyholders. For that, I would like to offer my heartfelt gratitude to all of you. It has been a privilege working with and for you.

To helm the Board of Income Insurance, the directors are unanimously proposing that Ms Joy Tan, the lead independent director, takes over as Chair. Of course, this is subject to her successful re-election at today's AGM and regulatory approvals.

I would like to assure shareholders that Joy has the experience and competency to lead the company forward and we are confident that this move is in the best interests of Income Insurance and its stakeholders.

With that, I will now pass the time over to Income Insurance's Chief Executive, Andrew Yeo, to share key performance and business highlights.

###