Generali Worldwide Insurance Company Limited

MAS Notice 124 “Public Disclosure Requirements”

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INDEX

1 Generali Worldwide Insurance Company Limited Singapore Branch (the 'Branch')

This has been prepared to fulfill the mandatory requirements of MAS Notice 124 "Public Disclosure Requirements" for the financial year ended 31 December 2017.

1.1 BRANCH PROFILE

The Branch is registered and domiciled in Singapore. The address of the Branch's registered office is 20 Collyer Quay #14-02 Singapore 049319.

The Singapore Branch is a segment of Generali Worldwide Insurance Company Limited; (the 'Company') incorporated in Guernsey, Channel Islands, and is not a separate incorporated legal entity.

The Company is incorporated in Guernsey, and its ultimate parent is Assicurazioni Generali Società per Azioni, a company incorporated in Italy. Assicurazioni Generali SpA has a primary listing on the Milan Stock Exchange.

The principal activity of the Branch is the sale of insurance and investment products via intermediaries to expatriates and high net worth individuals.

Products

The Branch provides a range of unit-linked savings plans with both regular premium payments (Vision) and single premium payment (Choice). The Branch also provides Professional Portfolio plans which are open-architecture saving plans with a single premium aimed towards the higher net worth individual.

1.2 CORPORATE GOVERNANCE STRUCTURE

The establishment and effective operation of the Branch's corporate governance, internal control and risk management frameworks is ultimately the responsibility of the Chief Executive of the Branch. Several key functions and activities are performed by the Company's Head Office in Guernsey and its operations in Ireland, and outsources to a third party resident in Singapore. These services include accounting and actuarial reporting, IT system provision, in-life policy servicing, product development, and investment management and administration. The Branch undertakes regular monitoring of all these activities and remains at all times responsible for the services delivered.

The Company as a whole operates under the requirements of its home country regulatory regime, managed under the auspices of the Guernsey Financial Service Commission. Under this regime, the Company is required to comply with the Finance Sector Code of Corporate Governance.

The Branch, in addition, is required to comply with the regulatory requirements in Singapore. The Monetary Authority of Singapore is the supervisor and regulator of Singapore's financial services sector.

As a subsidiary within the Generali Group, the Company also operates under an internal control and risk management system prescribed by its ultimate parent in order to comply with the requirements of the European Solvency II Directive. This system setsout that there shall be a Board of Directors, an Audit and Risk Committee of the Board, a Chief Executive Officer with senior management and management committees as support to the Chief Executive Officer in matters relating to risk.

The internal control system requires that the Company establish three lines of defence:

- the operating functions (the **"Risk Owners"**), which represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise;

- actuarial, compliance and risk management functions, which represent the second line of defence;

- internal audit, which represents the third line of defence (together with actuarial, compliance and risk management functions they form the **"Control Functions")**.

The internal control and risk management system is integrated into the organisational structure and the decision-making processes. As well as the need to comply with applicable laws and regulations, the system requires that risks are identified, assessed, managed, monitored and reported. An Own Risk and Solvency Assessment (ORSA) is carried out by the Company and forms part of the risk management system.

Key Role	Description
Board of Directors	The Board ensures that the risk management system identifies, evaluates and controls the most significant company risks. Within the scope of its typical duties and responsibilities, the Board is ultimately responsible for setting strategies and policies in the area of risk management and internal control and ensuring their adequacy and sustainability over time, in terms of completeness, functioning and effectiveness.
Audit and Risk Committee	The Audit and Risk Committee is composed of non-executive directors; its mission is to advise the Board, and to put forward proposals regarding the internal control and risk management system.
CEO and Management	The CEO is responsible for the implementation, maintenance and monitoring of the system of internal controls and risk management, including risks arising from non-compliance with regulations, in accordance with the policies adopted by the Board of Directors. The senior management support the CEO.
Risk Committee	The Risk Committee supports the CEO in the implementation, maintenance and monitoring of the internal controls and risk management system.
Actuarial Function	The Actuarial Function is responsible for the determination of the liabilities. The Head of Actuarial functionally reports to the Board of Directors. The Actuarial department provides the quantification of the risk-based capital requirements and provides recommendations on asset-liability management, underwriting and reinsurance strategy and data quality.

Compliance Function	The Compliance function is responsible for advice on compliance with laws, regulations and internal policies. The Head of Compliance functionally reports to the Board of Directors.
Risk Management and Function	The Risk Management function is in charge of implementing and overseeing the risk management system. In particular, it provides information and suggestions to the Risk Committee and has strong relationship with Heads of the business areas. Moreover, the Risk Management function is responsible for coordinating the risk management policies, executing risk controlling activities, and developing risk evaluation methodologies. The Chief Risk Officer functionally reports to the Board of Directors.
Internal Audit Function	The Internal Audit function is responsible for evaluating the effectiveness and efficiency of the system of internal controls and the need for improvement through support and advice to other business functions. The Chief Internal Auditor reports directly to the Board's Audit and Risk Committee.

The Company has also established various other committees and forums with remits such as monitoring investment activity, monitoring distribution activities, and product development.

1.3 RISK AND CAPITAL MANAGEMENT FRAMEWORK

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

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

The Branch is currently meeting all of these objectives.

Due to the investment-linked nature of the business written by the Branch, the liabilities mainly consists of unit reserves which are matched with the assets held for the policyholder funds, hence the asset/liability mismatch arising from the fund is minimal.

1.4 DETERMINATION OF TECHNICAL RESERVES

Actuarial liabilities are valued in compliance with the valuation methodology as specified in the Insurance (Valuation and Capital) Regulations 2004 and MAS Notice 319.

Policy liabilities are determined for each plan separately, and these are summed together to form the total policy liabilities. The policy liability of each plan is the sum of the unit reserve and the non-unit reserve. The non-unit reserve is derived using the discounted prospective cash-flow method on best estimate assumptions plus provisions for adverse deviation ("PADs").

Reserves – Method

- The actuarial liability comprised the unit reserves, which are calculated as the mid value of the units or other investments attaching to the policies, together with non-unit policy reserves.

Reserves – Basis

- The unit fund growth rate takes into account real world expectations of equity returns as well as dividend yields and a desire for a stable assumption.
- Expense inflation is based on the blended long-term expected inflation of the underlying expense components, which are based in various currencies (SGD, EUR, and GBP).
- The discount rate used to discount the non-unit reserves are in accordance with the prescribed discount rates specified in MAS 319.
- Tax is in accordance with the tax rate set out by Inland Revenue Authority Singapore.
- Exchange rates are set as per the prevailing rates at the valuation date.
- The Company performs extensive experience analysis on its entire book of business to investigate the lapse, paid up and mortality rates of the Company. These are used to set the best estimate assumptions.
- Expense investigations are also carried out to produce the expense assumptions.

1.5 CAPITAL ADEQUACY

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

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

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

The sum of:

- The aggregate of the total risk requirement of all insurance funds (except for an insurance fund in respect of offshore policies) established and maintained by the insurer under the Insurance Act; and
- Minimum amount of SGD5 million, whichever is the higher.

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

On a quarterly basis, the Branch undertakes a valuation of all assets and liabilities to ensure there are adequate Financial Resources available to cover the statutory solvency requirements. There are regulatory requirements to be met and the Branch has always exceeded these levels.

The financial instruments/investments held within the Branch to back the surplus are mainly in cash and hence not sensitive to market variables.

The Branch is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2017.

The Capital Adequacy Ratio of 780% and Financial Resources of SGD16.3m as at 31 December 2017 are higher than the regulatory minimum requirements of 120% and SGD5m respectively, resulting in the Branch having a healthy solvency position.

1.6 INVESTMENT POLICY AND MANAGEMENT

The Company actively manages its asset and liability position, seeking to maintain a well-matched position.

Whilst the Company must comply within the local regulatory frameworks under which it is licensed, it must also operate in line with the various policies and guidelines issued by the Generali Group as adopted by the Board. It is through these policies that the Company sets its strategy, defines the controls and manages its exposures.

The Company's Investment activities are carried out in a sound and prudent manner, to ensure that it meets its contractual liabilities to policyholders, and in particular shall be carried out in compliance with MAS regulations as well as the principles of the EU Solvency II Directive and related relevant implementation measures.

The Company invests in the investment-linked funds that policyholders are tracking. Ahead of any investment, a due diligence process is followed with a distinction made between the Unit Linked Investment range, where a detailed Fund Due Diligence process is adopted, and that for Portfolio Bonds, where the Company adopts an open architecture model and investments are reviewed subject to a pre-determined Assessment Criteria. In addition to the Company's own funds, the Branch maintains a surplus in Cash.

Investment guidelines, limits, assessment criteria and the monitoring of the Company's position against them is the responsibility of the Investment Committee.

1.7 RISK EXPOSURE

1.7.1 Market Exposure

The Branch has limited exposure to market risk due to the nature of the products offered investment strategy of Branch funds. Some residual market risk remains where charges are linked to fund value.

1.7.2 Currency Risk

The Branch is largely exposed to currency risk on premiums and claims denominated in currencies other than Singapore Dollar.

The main currency risk arises when transactions are denominated in US Dollars & Great British Pound in 2017. A secondary currency risk exists as some of the Branch's expenses are incurred in GBP and EUR while the reporting currency is SGD. The Branch does not actively manage the overall currency risk. As the lines of business develop, the Branch intends to assess the position selecting an appropriate strategy to manage and mitigate the currency risk exposure.

The Branch's currency exposure based on the information provided to key management is as follows:
Financial assets and liabilities exposed to currency risk as at 31 December 2017

Figures expressed below in Singapore Dollars (SGD).

	USD	SGD	GBP	Other	Total

	SGD	SGD	SGD	SGD	SGD
As at 31 December 2017					
Financial Assets	54,223,930	49,050,093	50,270,516	9,235,472	162,780,011
Financial Liabilities	(52,012,730)	(39,698,494)	(46,299,217)	(8,804,428)	(146,814,869)
Net Financial Assets / (Liabilities)	2,211,200	9,351,599	3,971,299	431,044	15,965,142

As at 31 December 2017, if the Singapore Dollar strengthened/weakened by 5% against the USD and GBP with all other variables including tax rate being held constant, losses after tax would increase/decrease by SGD110,560 & SGD198,565 respectively.

1.7.3 Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Liabilities are valued using currency specific prevailing market interest rates.

The Branch is primarily exposed to low interest rates, which increases the value of the liabilities. A further interest rate risk arises from short-term bank deposits held which at present attract no or minimal interest. Interest rates are at historic lows and are expected to remain as such for the short term. The Branch does not have significant exposure to interest rate risk.

1.7.4 Credit Risk

The Branch has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Branch is exposed to credit risk are:

- Cash and cash equivalents
- Investment contract receivables; and
- Other current assets (excepting prepayments).

The Branch structures the levels of credit risk it accepts in respect of its cash holdings by placing limits on its exposure to a single counterparty, or groups of counterparty. Limits on the levels of credit risk are based on guidelines issued by the Chief Risk Officer of the Assicurazioni Generali Group, with modification where appropriate to the circumstances of the Branch of the Company and are ratified by the Board of Directors of the Company. The Investment Committee, under powers delegated by the Board, carries out monitoring of adherence to the guidelines.

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

- Deposits with financial institutions with appropriate credit rating by international credit rating agencies; and
- Investment contract receivables from policyholders.

1.7.5 Liquidity

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Branch manages its liquidity risk by maintaining sufficient cash and bank balances.

Any policy can be surrendered at any time, and all financial and insurance liabilities to contract holders are therefore shown with a minimum maturity of 0-1 years above. In practice, this is extremely unlikely to happen. The Branch, under exceptional circumstances, has the right to delay any surrender or surrenders to protect the interest of other policyholders and more specifically, may reflect the settlement terms achieved on the disposal of assets in the terms it offers on the settlement of liabilities backed by those assets.

1.7.6 Underwriting Risks

The Branch offers unit linked and personal investment products, the value of which is determined by the underlying investment instruments as selected by the policyholder. As the Branch incurs expenses in the sale and administration of these policies, its primary risk exposures are related to policyholder options to discontinue the policy on part or in whole in one or more of the following ways:

(i) Full surrender where the policyholder elects to withdraw the full value of the policy. This is a particular risk at early durations before the expenses incurred in the sale of the policy have been fully recouped.
(ii) Partial withdrawal where the policyholder elects to withdraw some of the value of the policy, thereby reducing future fund related charges; or
(iii) Ceasing payment of future regular premiums due, reducing future fund value and therefore fund related charges.

While the Branch is exposed to mortality risk at early durations in a contracts life of the regular premium product, the exposure to mortality risk is not significant due to the nature of the products on offer.

There is also a risk that expenses incurred in managing and administering the business will increase.

1.7.7 Other Risks

The Branch is also exposed to financial service industry risks such as operational, regulatory and cyber risk. These are monitored and managed to an appropriate level via Generali Group and Generali Worldwide policies.

1.8 FINANCIAL PERFORMANCE

The Branch was registered in May 2011 and while achieving noticeable levels of mature business, has achieved some growth.

Key balances from the audited annual MAS returns for the past three years.

	2017	**2016**	**2015**
	SGD	**SGD**	**SGD**
Premiums received	55,183,101	32,346,073	53,469,505
Claims made	(11,254,644)	(4,991,823)	(9,240,525)
Policy liabilities	(146,929,647)	(102,946,015)	(86,831,580)
Profit/(loss) for year	1,363,861	4,381,790	(6,947,411)

The full 2017 annual return can be found here

Generali Worldwide Insurance Company Limited, Singapore Branch
20 Collyer Quay #14-02, Singapore 049319.

Registered in Singapore as a Branch of a Foreign Company - Number T10FC0110K.
Licensed by the Monetary Authority of Singapore as a direct insurer to carry on life business in Singapore.
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