CHUBB®

安達人壽保險有限公司(百慕達註冊)

Chubb Life Insurance Company Ltd.

(Incorporated in Bermuda with Limited Liability)

Directors' Report and Financial Statements

For the year ended
31 December 2020

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting its report and audited financial statements for the year ended 31 December 2020.

Principal activity

Chubb Life Insurance Company Ltd. (the "Company") is a company incorporated in Bermuda and authorized to carry on long-term insurance business in Hong Kong.

The Company has not carried on any insurance business relating to liabilities or risks in respect of which persons are required by any Hong Kong Ordinances to be insured.

Results and appropriations

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on page 12.

The directors do not recommend the payment of a shareholder dividend.

Reserves

Movements in the reserves of the Company during the year are set out on page 13 of the financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment are set out in Note 5 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in Note 12 to the financial statements.

Directors and controllers

During the year from 1 January 2020 to the date of this report, the following served as directors of the Company:

Christian Noel Wiseman	
Eng Tian Ho	
Leigh-Ann Bezuidenhout	Appointed on 12 March 2021
Vuk Panic	Alternative Director to Christian Wiseman, appointed on 12 March 2021
Jim Rasqué	Resigned on 12 March 2021
Yee Nin Lee	Resigned on 31 March 2020
Andrew Luen Cheung Wong	Independent Non-Executive Director
William John Charman	Independent Non-Executive Director

There being no provision in the Company's Articles of Association for retirement by rotation, all current directors continue in office.

During the same period, the controllers (within the meaning of Section 9 of the Hong Kong Insurance Ordinance) were as follows:

Evan Glenn Greenberg
John Joseph Lupica
Karen Richmond
Eng Tian Ho
Chubb INA International Holdings, Ltd.
Chubb Group Holdings, Inc.
INA Corporation
Chubb INA Holdings Inc.
Chubb Limited

Directors' and controllers' interests

Fees and other forms of remuneration paid to directors for the year, amounted to US$50,000 and US$855,910 respectively. During 2020, the Company did not advance any loans, transfer any property or assume any obligations on behalf of any controller or any director or his nominees or associates (within the meaning of Section 9 of the Hong Kong Insurance Ordinance).

At 31 December 2020, to the best of our knowledge, neither any controller nor any director had, at that date or at any other time during the year then ended:

- any contracts of significance to which the Company, its fellow subsidiaries or its holding company was a party, and in which any Controller or Director of the Company had a material interest; or
- any arrangement to which the Company, its fellow subsidiaries, or its holding company was a party, that enabled him to receive benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, apart from the share-based incentive program.
- Share-based compensation programs available to certain Directors of the Company are the restricted share grant plan, restricted share option plan and employee share purchase plan. The Directors or controllers who participated in these share based compensation programs at any time during the year include Eng Tian Ho.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Associated companies and subsidiaries

At 31 December 2020, neither the Company nor the Company together with any associate (within the meaning of Section 9 of the Hong Kong Insurance Ordinance) or through a nominee was entitled to exercise or control the exercise of one third or more of the voting power of any corporate body.

DIRECTORS' REPORT (continued)

Reinsurance

The reinsurers for newly settled life business for the Company are Hannover Rück SE Hong Kong Branch ("Hannover"), RGA Reinsurance Company Hong Kong Branch ("RGA"), Swiss Reinsurance Company Hong Kong Branch ("Swiss"), Munich Reinsurance Company Hong Kong Branch and Singapore Branch, SCOR Global Life Hong Kong Branch and China Life Reinsurance Company Limited.

In addition to the life business, the Company also has reinsurance arrangements for its accident and health products with Swiss, Hannover, General Reinsurance AG Hong Kong Branch, Blue Cross (Asia-Pacific) Insurance Limited and RGA.

For catastrophe reinsurance, the Company has an excess risk reinsurance arrangement with Chubb Tempest Reinsurance Ltd., which is renewable on an annual basis.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Eng Tian Ho
Director and President

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHUBB LIFE INSURANCE COMPANY LTD.

(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The financial statements of Chubb Life Insurance Company Ltd. (the "Company") set out on pages 11 to 56, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHUBB LIFE INSURANCE COMPANY LTD. (CONTINUED)
(incorporated in Bermuda with limited liability)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report on pages 2 to 4 and financial information prepared under the Insurance Ordinance on pages 57 to 63, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 April 2021

Independent Auditor's Report
To the Board of Directors of Chubb Life Insurance Company Ltd.
(incorporated in Bermuda with limited liability)

Report on the Audit of the Financial Information

Opinion

What we have audited

The financial information of Chubb Life Insurance Company Ltd. (the "Company") set out on pages 11 to 63, which comprises:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows and the revenue account for the year then ended; and
- notes to the financial information, including a summary of significant accounting policies (referred as "financial information" thereafter).

Opinion
In our opinion, the financial information gives a true and fair view of the state of the Company's affairs as at 31 December 2020, and of its loss and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and is prepared, in all material respects, in accordance with the provisions of the Hong Kong Insurance Ordinance (the "Ordinance").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 810.2 (Revised), "The Duties of the Auditor of an Insurer authorized under the Insurance Ordinance" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Information section of our report.

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

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to note 2 to the financial information, which describes the basis of accounting. The financial information is prepared to assist the Company in complying with the provisions of the Ordinance. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the submissions by the Company to the Hong Kong Insurance Authority and the Registrar of Companies and is not intended to be, and should not be, distributed to or used by anyone for any other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report. Our opinion is not modified in respect of this matter.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the directors' report on pages 2 to 4, but does not include the financial information and our auditor's report thereon.

Other Information (Continued)

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

In connection with our audit of the financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial information or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the provisions of the Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

In addition, the directors are required to maintain proper records in accordance with section 16 of the Ordinance and to maintain the greater of the required margin of solvency attributable to its long term business as determined by the Company's appointed actuary in accordance with the Insurance (Margin of Solvency) Rules and the relevant amount applicable as defined in the Ordinance (the "minimum solvency requirements").

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information. In addition, we express opinion on whether proper records have been maintained in accordance with section 16 of the Ordinance and as to whether the value of the assets of the Company as determined under the Ordinance exceeds its liabilities by not less than the minimum solvency requirements applicable as at year end.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Financial Information (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on matters under paragraphs 4(1) and (1AA) of Part 1 of Schedule 3 to the Hong Kong Insurance Ordinance

The required margin of solvency, as determined by the Company's appointed actuary in accordance with the Insurance (Margin of Solvency) Rules, being greater than the relevant amount applicable, as defined in section 10 of the Ordinance, amounted to US$141,580,689 (equivalent to HK$1,097,473,676) as at 31 December 2020.

In our opinion:

(i) proper records have been maintained in accordance with section 16 of the Ordinance in respect of the year ended 31 December 2020; and

(ii) the value of the assets of the Company as stated in the financial information exceeds its liabilities by not less than US$141,580,689 (equivalent to HK$1,097,473,676) as at 31 December 2020.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 April 2021

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER
(in US Dollars)

ASSETS	Notes	2020	2019
Right of use asset	5a	5,635,619	11,528,675
Property, plant and equipment	5	2,729,747	3,262,491
Intangible assets	6	5,399,592	2,940,972
Financial assets			
Equity securities – available-for-sale	7	182,449,157	135,320,455
Unit trusts – at fair value through profit or loss	7	2,507,357	3,391,036
Debt securities:			
- Available-for-sale	7	2,653,824,845	2,193,076,314
- Held-to-Maturity	7	639,589,099	643,764,695
Unit-linked funds – at fair value through profit or loss:			
- Insurance contracts	7	188,369,037	158,987,976
- Investment contracts	7	125,598,189	120,451,502
Derivative Assets	7,9	53,907,881	-
Loans and receivables, including insurance receivables	7, 8	155,112,527	150,648,528
Reinsurance contracts	13	22,904,186	22,216,356
Deferred acquisition costs related to investment contracts	10	10,624,387	11,954,346
Cash and cash equivalents	11	31,047,335	43,957,267
Current tax assets	26	171,014	-
Total assets		4,079,869,972	3,501,500,613
EQUITY			
Share capital	12	300,072,049	300,072,049
Share-based payments reserve		237,279	-
Investment revaluation reserve	12	550,407,064	377,221,450
Accumulated losses	12	(426,864,461)	(256,644,896)
Total equity		423,851,931	420,648,603
LIABILITIES			
Insurance liabilities			
Policy reserve and claims	13	2,662,086,772	2,159,851,124
Dividend payable to policyholders		11,362,860	11,022,262
Dividend on deposits of policyholders		89,036,415	79,540,928
Policyholder account balance		507,936,294	456,293,202
Premiums received in advance		3,018,824	3,275,797
Financial liabilities			
Unit-linked liabilities for insurance contracts	13	188,369,037	158,987,976
Unit-linked liabilities for investment contracts	13	125,598,189	120,451,502
Derivative liabilities	7, 9	17,107,260	24,487,401
Commission payable		7,227,132	9,776,474
Amounts payable under reinsurance contracts		15,714,933	12,028,334
Unearned revenue reserve related to investment contracts	14	5,593,061	5,882,743
Lease liability		5,810,495	11,705,584
Other payables	15	17,156,769	24,062,578
Current tax liabilities	26	-	3,486,105
Total liabilities		3,656,018,041	3,080,852,010
Total equity and liabilities		4,079,869,972	3,501,500,613

The notes on pages 16 to 56 are an integral part of these financial statements. The notes on pages 16 to 63 are an integral part of these financial information.

The financial statements and the financial information prepared under the Insurance Ordinance were approved by the Board of Directors for issue on 20 April 2021 and were signed on behalf by:

Christian Noel Wiseman
Director

Eng Tian Ho
Director and President

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER
(in US Dollars)

	Notes	2020	2019
Insurance premium revenue	16	371,054,001	387,621,527
Insurance premium ceded to reinsurers	16	(21,919,251)	(19,771,663)
Net insurance premium revenue		349,134,750	367,849,864
Fee income			
Insurance contracts	17	5,899,487	8,051,690
Investment contracts	17	3,614,250	3,714,988
Decrease/(Increase) in unearned revenue reserve related to investment contracts	14	289,683	(3,208,754)
Investment income	18	134,249,876	117,648,875
Net realized gains on financial assets	19	40,146,539	3,964,875
Net fair value gains on financial assets at fair value through profit or loss	20	117,052,577	46,855,295
Other operating income	21	1,611,852	101,075
Net income		651,999,014	544,977,908
Insurance benefits and claims	22	735,792,805	654,609,194
Insurance claims and loss adjustment expenses recovered from reinsurers	22	(16,964,325)	(17,151,969)
Expenses for the acquisition of insurance contracts	24	36,379,224	43,555,301
Net insurance benefits, claims and expenses		755,207,704	681,012,526
Investment contract benefits	23	16,912,313	21,851,314
Decrease/(Increase) in deferred acquisition costs related to investment contracts	10	1,329,959	(4,800,824)
Expenses for the acquisition of investment contracts	24	277,203	248,670
Expenses for asset management services rendered		4,237,042	3,488,191
Expenses for sales and marketing	24	2,902,793	5,880,709
Expenses for employee benefit	24	18,866,704	18,215,895
Other operating expenses	24	19,050,073	15,110,998
Total benefits, claims and expenses		818,783,792	741,007,479
Loss before taxation and finance costs		(166,784,778)	(196,029,571)
Finance costs		263,161	441,829
Loss before taxation		(167,047,939)	(196,471,400)
Taxation	26	(3,171,626)	(3,344,714)
Loss for the year		(170,219,565)	(199,816,114)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	7,12	176,428,110	275,131,517
Amortization of unrealized gain of held-to-maturity financial assets	12	(3,242,496)	(3,127,004)
Other comprehensive income for the year		173,185,614	272,004,513
Total comprehensive income for the year		2,966,049	72,188,399

The notes on pages 16 to 56 are an integral part of these financial statements. The notes on pages 16 to 63 are an integral part of these financial information.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER
(in US Dollars)

	Notes	Share Capital	Share-based Payments Reserve	Accumulated Losses	Investment Revaluation Reserve	Total
At 1 January 2019		300,072,049	-	(56,828,782)	105,216,937	348,460,204
Comprehensive income for the year						
Loss for the year		-	-	(199,816,114)	-	(199,816,114)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	7, 12	-	-	-	275,131,517	275,131,517
Amortization of unrealized gain of held-to-maturity financial assets	12	-		-	(3,127,004)	(3,127,004)
Total comprehensive income/(loss) for the year		-	-	(199,816,114)	272,004,513	72,188,399
At 31 December 2019		300,072,049	-	(256,644,896)	377,221,450	420,648,603
Comprehensive income for the year						
Loss for the year		-	-	(170,219,565)	-	(170,219,565)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	7, 12	-	-	-	176,428,110	176,428,110
Amortization of unrealized gain of held-to-maturity financial assets	12	-	-	-	(3,242,496)	(3,242,496)
Total comprehensive income/(loss) for the year		-	-	(170,219,565)	173,185,614	2,966,049
Share-based payment arrangement		-	237,279	-	-	237,279
At 31 December 2020		300,072,049	237,279	(426,864,461)	550,407,064	423,851,931

The investment revaluation reserve of US$550,407,064 included an unrealized gain of US$74,654,029 which was attributable to the held-to-maturity securities, previously classified as available-for-sale.

The notes on pages 16 to 56 are an integral part of these financial statements. The notes on pages 16 to 63 are an integral part of these financial information.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER
(in US Dollars)

	Notes	2020	2019
Cash used in operations	27	(119,512,851)	(96,415,408)
Dividend received		1,873,954	994,380
Interest received		121,061,296	116,302,189
Purchase of intangible assets - agency	6	-	(64,103)
Hong Kong profits tax paid		(6,850,954)	(720,672)
Net cash (used in) / generated from operating activities		(3,428,555)	20,096,386
Cash flows from investing activities			
Purchase of intangible assets – computer software	6	(3,347,569)	(957,851)
Purchase of property, plant and equipment	5	(480,217)	(993,578)
Proceeds from sales of property, plants and equipment		6,129	-
Net cash used in investing activities		(3,821,657)	(1,951,429)
Cash flows from financing activities			
Lease payments – capital elements	27b	(5,895,089)	(5,710,074)
Lease payments – interest elements	27b	(263,161)	(441,829)
Net cash used in financing activities		(6,158,250)	(6,151,903)
Net (decrease) / increase in cash and cash equivalents		(13,408,462)	11,993,054
Exchange gain on cash and cash equivalents		498,530	289,978
Cash and cash equivalents at beginning of year		43,957,267	31,674,235
Cash and cash equivalents at end of year	11	31,047,335	43,957,267

The notes on pages 16 to 56 are an integral part of these financial statements. The notes on pages 16 to 63 are an integral part of these financial information.

Notes to the Financial Statements

Note 1 Organization

Chubb Life Insurance Company Ltd. (the "Company") is a company incorporated in Bermuda and authorized to carry on long-term insurance business in Hong Kong. The Company is a wholly-owned subsidiary of Chubb INA International Holdings Ltd., a United States company whose ultimate parent company is Chubb Limited, a Swiss-incorporated company listed on the New York Stock Exchange.

All assets and liabilities reported in the statement of financial position are attributable to the Company's long-term business and other than long-term business.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 33/F Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong.

These financial statements are presented in United States dollars unless otherwise stated. These financial statements have been approved for issuance by the Board of Directors on 20 Apr 2021.

Note 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Hong Kong Insurance Ordinance applicable to insurance companies and with Hong Kong Financial Reporting Standards (HKFRS), and with the Companies Act 1981 of Bermuda. They have been prepared under the historical cost basis, except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are measured at fair value.

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

2.2 Impact of new and revised Hong Kong Financial Reporting Standards

(a) The following new standard, new interpretation and new amendments to standards effective in 2020

- HKFRS 3 , Definition of Business (amendments)
- HKAS 1 and HKAS 8 , Definition of Material (amendments)
- HKAS 39, HKFRS 7 and HKFRS 9 , Hedge accounting (amendments)
- Conceptual Framework For Financial Reporting 2018 , Revised Conceptual Framework for Financial Reporting

(b) The additional disclosures about the temporary exemption from HKFRS 9 are as follows:

HKFRS 4 permits, but does not require, an insurer to apply HKAS 39 Financial Instruments - Recognition and Measurement rather than HKFRS 9 for annual periods beginning before 1 January 2023. An insurer may apply the temporary exemption from HKFRS 9 if, and only if, (a) it has not previously applied any version of HKFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss, and (b) its activities are predominantly connected with insurance at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in paragraph 20B of HKFRS 4.

The Company has elected to apply the temporary exemption (known as the "deferral approach") since it has not previously applied any version of HKFRS 9 and the Company's activities are predominantly connected with insurance at its' annual reporting date that immediately precedes 1 April 2016, based on the eligibility assessment carried out on 31 December 2015, the total carrying amount of liabilities connected with insurance is greater than 90% of total carrying amount of all liability. Subsequent to the initial eligibility assessment, there has been no change in the Company's activities that requires a reassessment of the eligibility test.

(i) Fair value of financial assets

The following disclosures are in accordance with the election of temporary exemption from HKFRS 9.

Financial assets	Fair value as at 31 December 2020	Fair value change for the year ended 31 December 2020	Fair value as at 31 December 2019	Fair value change for the year ended 31 December 2019
(a) held for trading	36,800,621	60,057,141	-	-
(b) Financial assets that are managed and whose performance is evaluated on a fair value basis	499,087,965	36,787,137	307,317,915	46,855,295
(c) Financial assets that are neither (a) or (b)				
- the contractual cash flows are solely principal and interest	3,447,570,790	82,954,958	2,921,319,797	269,258,495
- the contractual cash flows are not solely principal and interest	-	-	135,483,492	24,186,759
Total	3,983,459,376	179,799,236	3,364,121,204	340,300,549

For the financial assets of which the contractual cash flows are solely principal and interest, the credit risk rating grades are summarized as below:

By credit risk rating grade	Carrying amount as at 31 December 2020	Carrying amount as at 31 December 2019
AAA	104,280,754	106,103,633
AA	527,349,496	537,935,506
A	1,490,750,618	1,397,134,258
BBB	698,969,747	520,176,269
BB	227,753,297	164,055,316
B	187,804,601	100,334,244
CCC	6,751,342	-
CC	-	-
D	-	2,610,734
Not rated	87,036,438	42,083,307
Total	3,330,696,293	2,870,433,268

The financial assets for unit-linked contracts are exclusively held on behalf and for the benefit of unit-linked policyholders. To ensure consistency with the corresponding accounting treatment for the unit-link contracts, these investments are designated at fair value through income under current accounting rules. This treatment is going to be maintained under the future IFRS 9 regime accordingly.

Other financial assets including receivables arising from insurance and other loans and receivables are financial assets which meet the SPPI conditions. The carrying amounts to these assets approximate their fair value.

(c) New standards and new amendments to standards not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Company:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022

HKAS 1	Classification of Liabilities as Current or Non-currents (amendments)	1 January 2023
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020. Earlier application is permitted, including in financial statements – interim or annual – not authorized for issue at 4 June 2020
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

These new standards and new amendments to standards have been issued but are not effective for the financial year ended 31 December 2020 and have not been early adopted. The Company has assessed the impact of these new standards on its financial position and results of operations and they are not expected to have a material impact.

(d) New standard has been issued but is not yet effective and have not been early adopted by the Company

- HKFRS 17, "Insurance contracts" (effective from 1 January 2023)

  HKFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of HKFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts, which replaces HKFRS 4 Insurance Contracts.

  In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, HKFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

  The main features of the new accounting model for insurance contracts are as follows:

  - The fulfilment cash flows including the expected present value of future cash flows and explicit risk adjustment, remeasured every reporting period;
  - A contractual service margin represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the coverage period;
  - Certain changes in the expected present value of future cash flows are adjusted against the contractual service margin and thereby recognized in profit or loss over the remaining coverage period;
  - The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
  - The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
  - Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of comprehensive income, but are recognized directly on the statement of financial position;
  - Insurance services results are presented separately from the insurance finance income or expenses;
  - Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IASB finalized and issued the amendments to IFRS 17 in June 2020. The amendments to IFRS 17 provide, among other things, to:

- Defer the effective date from 1 January 2021 to 1 January 2023.
- Provide scope exclusions for credit card contracts and loan contracts.
- Allocate acquisition costs to expected contract renewals.
- Attribute profit (contractual service margin) to service relating to investment activities.
- Extend applicability of the risk mitigation option.
- Reduce accounting mismatches for reinsurance.
- Simplify balance sheet presentation.
- Provide additional transition relief.

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. If the Company applies HKFRS 17 earlier, it shall disclose that fact. Early application is permitted for Company that apply HKFRS 9 Financial Instruments on or before the date of initial application of HKFRS 17. HKFRS 17 Standards is expected to have a material impact on the Company. The Company is in the midst of conducting a detailed assessment of the new standard.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'), which is Hong Kong dollars. The financial statements are presented in United States dollars, which is the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. 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 in profit or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in equity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items. Depreciation of assets is calculated using the straight-line method to allocate their costs, net of their residual values over their estimated useful lives.

Leasehold	Unexpired period of the tenancy agreement
Furniture and fixture	7 years
Office equipment	3 years
Computer equipment	3 - 4 years
Telecommunication equipment	5 years

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit or loss in the other operating expenses.

2.5 Intangible assets

(a) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized by using straight-line method over their estimated useful lives of 5 years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

(b) Agency intangible asset

The costs of acquiring agents are capitalized as intangible assets to the extent that future economic benefits are expected to flow into the company via creation of new business. These costs are amortized by using straight-line method over their useful lives.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets in this category comprise unit trusts, unit-linked funds and derivative assets/ (liabilities). Unit-linked funds include funds held in respect of the Company and the policyholders. The funds held in respect of the Company represent the assets in relation to a portion of the payments from policyholders to compensate the Company for services performed for certain unit-linked product. For the funds held in respect of the policyholders, there are corresponding unit-linked insurance and investment contracts liabilities. Both the unit-linked funds and the corresponding liabilities are designated as financial instruments at fair value through profit or loss. The contract liabilities changes are linked to the changes in fair value of these assets. The same designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The derivative assets/ (liabilities) comprise Currency Forward, Cross Currency Swap and Interest Rate Swap. Details of the instruments and accounting treatment are mentioned in Note 2.9 and 9.

Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms (see Note 2.8 for the accounting policy on impairment). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(c) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization and the loss arising from impairment are included in the statement of profit or loss.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities are sold or impaired, the accumulated fair value adjustments are subsequently reclassified to profit or loss as net realized gains/losses on financial assets.

2.6.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus, in the case of the financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss.

Financial assets are derecognized when the rights to receive cash flows from them have expired or when they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Interests on securities calculated using the effective interest method is recognized in profit or loss. Dividends on equity instruments are recognized in profit or loss when the Company's right to receive payments is established. Both are included in the line of investment income.

2.7 Reclassification of financial assets

The Company may choose to reclassify financial assets that would meet the definition of held-to-maturity out of the available-for-sale category if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to held-to-maturity category are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Company has reclassified a block of debt securities out of the available-for-sale category into the held-to-maturity category. Those debt securities are no longer fair valued through the revaluation reserve in statement of changes in equity but measured at amortized cost less impairment.

2.8 Impairment of assets

(a) Financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

i) significant financial difficulty of the issuer or debtor;

ii) a breach of contract, such as a default or delinquency in payments;

iii) it is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

iv) the disappearance of an active market for that financial asset because of financial difficulties; or

v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(b) Available-for-sale financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that an available-for-sale debt security is impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost (net of any amortization) and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets are impaired. Impairment losses recognized in profit or loss on equity instruments classified as available for sale are not subsequently reversed.

(c) Other non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.9 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The Company is applying a market approach on a consistent basis among similar assets as well as across reporting periods. The selection of the valuation method to apply will consider the nature of the asset or liability being valued, as well as significant judgment, sufficient knowledge of the asset or liability, and a level of expertise regarding the valuation technique.

The Company's derivative instruments do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are recognized immediately in profit or loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

2.13 Insurance and investment contracts

2.13.1 Classification

The Company issues contracts that transfer insurance risk or financial risk or both. For the purposes of these financial statements, contracts are classified as insurance contracts or investment contracts.

(a) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 15% more than the benefits payable if the insured event did not occur.

A number of insurance contracts contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing are contractually at the discretion of the Company; and
- that are contractually based on:
  a) the performance of a specified pool of contracts or a specified type of contract; or
  b) realized and/or unrealized investment returns on a specified pool of assets held by the Company.

The amount of discretionary benefit is distributed as dividend or bonus. The dividend or bonus is paid from divisible surplus. The formula for sharing divisible surplus is determined when a contract is issued and the basis is continued at subsequent declarations. The Company may exercise its discretion as to the quantum and timing of payments to contract holders.

There are four types of divisible surplus for dividends:

- One factor policies; divisible surplus is the excess of a proportion of the investment return over a target return.
- Two factor policies; divisible surplus is the excess of a proportion of the investment return and mortality return over a target return.
- Three factor policies; divisible surplus is the excess of a proportion of the investment return, expense return and mortality return over a target return.
- Four factor policies; divisible surplus is the excess of a proportion of the investment return, expense return, mortality return and surrender return over a target return.

For bonus, it is paid from a proportion of surplus in excess of guaranteed contractual cash flow.

(b) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

2.13.2 Recognition and measurement

(a) Insurance contracts (traditional product)

Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as expense when they are incurred.

A liability for contractual benefits that are expected to be paid in the future (the "long-term insurance liabilities") is recorded when the premiums are recognized. The long-term insurance liabilities are determined as either:

- The sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits, or
- Loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premium earned).

The long-term insurance liabilities are determined by the Company's appointed actuary on the basis of assumptions, which comply with the requirements of the Hong Kong Insurance (Determination of Long-Term Liabilities) Rules. The long-term insurance liabilities are recalculated at each balance sheet date and based on assumptions that are reviewed each year. A margin for adverse deviations is included in the assumptions to allow for the risk and uncertainty.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

A number of insurance contracts contain a DPF. They are annual dividend (payable on the eligible policy anniversary), terminal dividend (payable when the policy is terminated), reversionary bonus or special bonus. The reserve for dividend includes:

- Dividend due liability – Annual dividend declared but not yet paid to the policyholders. In general, the payment is made at the next policy anniversary;
- Reserve for bonus – The liability for the bonus is an accrual amount of future bonus payment with reference to the actual company profit. This liability is subject to a minimum reserve being equal to the expected amount of bonus to be paid in the following year.
- Terminal dividend reserve – The liability for the terminal dividend is an accrual amount of the future terminal dividend payment with reference to the actual investment return. The terminal dividend liability is subject to a minimum reserve being equal to the expected amount of terminal dividend to be paid in the 18 months following the valuation date.

Other insurance contract liabilities consist of deposits held under the deferred annuity provision and reserves for accident and health insurance available on life insurance policies. The valuation of these liabilities is determined by the accumulated value at the declared interest rates and the unearned premium method respectively.

The valuation of the insurance contract liabilities takes into account reinsurance arrangements in place.

(b) Insurance contracts (unit-linked)

A unit-linked insurance contract is a contract with units of investment funds. These contracts insure human life events (for example death or survival) over a long duration.

Insurance premiums net of all funds allocation are recognized as fee income. Revenue consists of fees deducted for mortality, policy administration and surrender charges. Changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in profit or loss.

Insurance contract liabilities reflect the account value. These liabilities are increased by fund allocation and increase in the unit prices, and are decreased by policy administration fees, mortality charges, surrender and any withdrawals. When a policy has a back-end charge, the present value of charges is deducted from the liability. The liability is never less than the cash value. The liability for these contracts also includes any amounts necessary to compensate the Company for services to be performed over future periods; for example, unearned cost of insurance reserve. Besides, reserve for loyalty bonus is also set up as non-unit liabilities.

(c) Insurance contracts (universal life)

A universal life insurance contract is a contract with explicit account value. These contracts insure human life events (for example death or survival) over a long duration.

Insurance premiums are recognized as revenue, and the increase in liabilities is recognized as expenses. The account value is recognized as liabilities. These liabilities are increased by account value allocation and interest credited, and are decreased by policy administration fees, mortality charges, surrender and any withdrawals. Interest on account value is credited to the account balances. The crediting interest is non-guaranteed and could be changed from time to time, but the account balance should not be less than the minimum guaranteed account balance accumulated based on minimum crediting interest from policy issue.

When a policy has a back-end charge, the present value of charges is deducted from the liability. The liability is never less than the cash value. The liability for these contracts also includes any amounts necessary to compensate the Company for services to be performed over future periods; for example, unearned cost of insurance reserve. Besides, reserve for loyalty bonus is also set up as non-unit liabilities.

(d) Investment contracts without DPF (unit-linked)

The Company issues investment contracts without fixed terms nor embedded options. For the unit-linked investment contract, the liabilities are measured at fair value by reference to the account values of the underlying policies. The Company designates these investment contracts to be measured at fair value through profit or loss because it eliminates the inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities on different bases.

The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair values of unit-linked financial liabilities are determined using the current unit values that reflect the fair values of the financial assets contained within the Company's unitized investment funds linked to the financial liabilities, multiplied by the number of units attributed to the contract holder at the reporting date.

Fees charged to policyholders in relation to the management of investment contracts are deferred and amortized in proportion to the stage of completion of the services for which they were paid.

Acquisition costs of the Company that are directly attributable to securing the right to provide services in relation to the management of investment contracts are recognized as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. Acquisition costs are deferred and amortized with reference to the pattern that investment management services are provided.

(e) Investment contracts without DPF (universal life)

For the universal life investment contracts, the fair values of financial liabilities are the policyholders' account value. Insurance premiums net of all account value allocation are recognized as fee income. Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest on account value is credited to the account balances and excess benefit claims incurred in the period are charged as expenses in profit or loss.

Fees charged to policyholders in relation to the management of investment contracts are deferred and amortized in proportion to the stage of completion of the services for which they were paid. Acquisition costs of the Company that are directly attributable to securing the right to provide services in relation to the management of investment contracts are recognized as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. Acquisition costs are deferred and amortized with reference to the pattern that investment management services are provided.

2.13.3 Liability adequacy tests

At each financial year end, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities by using the current best estimates of future cash flows and claims handling as well as investment income from the assets backing such liabilities. If that assessment shows that the carrying amount of its insurance liability is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

2.13.4 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.13 are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial instruments.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances recoverable from or due to reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Short-term balances due from or due to reinsurers are reported as loans and receivables and amounts payable under reinsurance contracts on the statement of financial position; on the other hand, long-term receivables are reported as reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently against the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as reduction of insurance premium revenue in the statement of profit or loss.

The Company assesses its reinsurance assets for impairment and if there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

2.13.5 Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated on the same basis used for these financial assets.

2.14 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(b) Pension obligations

The Company pays contributions to privately administered defined contribution pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited from those employees who leave the scheme prior to full vesting of the contributions.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Share-based payments

Chubb Limited, the Company's ultimate holding company has share-based compensation plans which currently provide for awards of stock options and restricted stock to its eligible employees of its subsidiaries. Stock options are generally granted with a 3-year vesting period and a 10-year term. The stock options vest in equal annual installments over the respective vesting period, which is also the requisite service period. The fair value of the stock options was estimated on the date of grant using the Black-Scholes option-pricing model. Restricted stock is with a 4-year vesting period and is vest in equal annual installments over the respective vesting period, which is also the requisite service period. The restricted stock is granted at market close price on the date of grant. These shared-based compensation plans are administered by Chubb Limited and payments are charged back to the Company. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted share grants issued in the current and prior years, and is consistent with the treatment required by HKFRS 2. There is no liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb Limited's common stock in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb Limited to the eligible employees.

2.15 Provisions

Provisions, except those arising from contracts with policyholders, are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.16 Revenue recognition

Revenue is recognized in the statement of profit or loss and other comprehensive income as follows:

(a) Investment management fees for investment contract

Fees are generally recognized on an accrual basis when the service has been provided. The unearned portion of the fees is deferred as unearned revenue reserves.

(b) Interest income and amortization

Interest income and amortization for all interest-bearing financial instruments are recognized within 'investment income' (Note 18) in profit or loss using the effective interest method. When a receivable is impaired, the Company 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.

(c) Dividend income

Dividend income from financial assets is recognized when the right to receive payment is established.

2.17 Premium related expenses

For insurance contracts, commissions and other costs incurred in connection with acquiring new business are charged to profit or loss as incurred.

2.18 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

2.19 Tax

The Company is subject to income tax laws in Hong Kong. The current tax liabilities have been provided for using the tax rates that have been enacted as at end of the reporting period. The estimated assessable profit represented 5% of net premium income. No tax will be imposed on other comprehensive income.

Note 3 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts

The Company determines assumptions in relation to future deaths (or other morbidity rates for critical illness, hospitalization, accident and disability), investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to the mortality, morbidity and investment return assumptions. Estimates are reviewed regularly to ensure the liabilities are adequate (Note 13 (b)).

(a) Future investment returns

Estimates are made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns (or the book returns at classification date for held-to-maturity securities) as well as expectations about the reinvestment yield, future economic and financial developments.

(b) Mortality/morbidity

Estimates are made as to the expected number of deaths and the rates of diagnosis of critical illnesses for each of the years in which the Company is exposed to risk. The Company bases its mortality estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience, and morbidity estimates are derived either from company or reinsurer information. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main sources of uncertainty are epidemics and wide-ranging lifestyle changes leading to deteriorating future mortality and morbidity for life business as well as longevity risk for annuity business.

(c) Sensitivity analysis

A liability sensitivity analysis was performed on the two most significant valuation assumptions, mortality/ morbidity and interest rate. A 10% worsening of mortality/morbidity and 20bps drop in the interest rate would require additional gross insurance contract liabilities of US$48.5 million (2019: US$41.0 million) and US$187.0 million (2019: US$131.4 million) respectively.

Note 4 Management of insurance and financial risk

In general, the key components of market risk to the Company are insurance risk and financial risk. The Company issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Company manages them.

4.1 Insurance risk

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

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

4.1.1 Frequency and severity of claims

The major factors affecting the frequency and severity of claims are:

- For contracts where death or diagnosis of critical illness is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.
- For "two-factor", "three-factor", "four-factor" and "reversionary bonus and special bonus" contracts, the DPF of these contracts results in a significant portion of the insurance risk being shared with the insured parties.
- For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risks accepted for guaranteed benefits.
- Insurance risk under disability contracts is dependent on economic conditions in the industry. Recession and unemployment in an industry will increase the number of claims for disability benefits as well as reduce the rate of recovery from disability.
- Insurance risk under hospitalization contracts is dependent on medical cost and medical technology.
- Insurance risk under accidental contracts is more random and dependent on occupation.
- Unit-linked contracts include death benefits which are linked with the value of underlying investments. Changes in the value of underlying investments (as a result of changes in prices of financial assets) may increase the cost of death benefits.
- For contracts where survival is the insured risk, the most significant factor is unexpected improvement in medical science and social conditions that would increase longevity.

4.1.2 Risk management objectives and policies for mitigating insurance risk

The Company mitigates the risks described above by:

- Appropriately factoring the level of risk into the product pricing.
- Ensuring adequate reinsurance covers are in place, including catastrophe covers. Mortality risks in excess of US$200,000 are reinsured.
- Setting underwriting limits to enforce appropriate risk selection criteria.
- Having a monthly risk charge for unit-linked and universal life contracts based on the amount of death cover less the value of the units.

The Company charges for mortality for term insurance policies, unit-linked policies, universal life policies and other risk riders. It has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk. However, any change in premium rates can only be applied to an entire risk class, not to an individual policyholder. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

4.2 Financial risk

The key financial risk of the Company is that the proceeds from its balance sheet assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk. Market risk includes interest rate risk, currency risk, and duration risk.

The Company manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts with reference to the type of benefits payable to contract holders.

4.2.1 Market risk

(a) Interest-rate risk

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually based on a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefit) and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The Company only bears financial risk in relation to the guaranteed benefits payable under these contracts. These guaranteed benefits increase as dividends are declared and distributed to contract holders. The Company does not bear any interest rate risk in relation to the undistributed dividend component of the liability as the level of dividend is adjustable to reflect investment returns in excess of the investment return required for guaranteed benefits.

The Company is exposed to the risk of adverse movement in interest rates:

- If interest rates increase by 50bps, the value of debt securities falls by US$168 million (2019: US$133 million) but the liability valuation interest rate may also increase. Increasing the valuation rate of interest will result in a lower valuation liability.
- If interest rates decrease by 50bps, the value of debt securities increases by US$189 million (2019: US$149 million). Decreasing the valuation rate of interest will result in an increase in the valuation liability.

The market value movement of held-to-maturity securities is not included since the Company has positive intention and ability to hold them to maturity.

The Company manages the risk by using a conservative approach to the valuation of policy liabilities. At the valuation date, the weighted average yields on the existing assets were 2.76% (2019: 3.29%) and 2.02% (2019: 2.61%) for United States and Hong Kong dollars respectively. The highest valuation interest rates used were 2.45% (2019: 2.85%) and 1.70% (2019: 2.20%) for US and HK dollars respectively.

(b) Currency risk

The majority of the assets and liabilities of the Company were denominated in either Renminbi, Hong Kong dollars or United States dollars. The Company's exposure to foreign currency risk arises primarily with respect to the Renminbi and the United States dollars.

As of 31 December 2020, there was one 90-Days Currency Forward Contract with Chubb Tempest Life Reinsurance Ltd. with notional US$125 million (2019: US$125 million). There were Currency Forward contracts with notional US$891 million (2019: US$882 million) (net currency exposure US$570 million (2019: US$554 million)) managed by PIMCO. With the implementation of the currency derivatives, there was no currency mismatch on Hong Kong dollars and United Stated dollars. The currency mismatch is monitored by the Company on a monthly basis. Since the Hong Kong dollars are currently pegged to the United States dollars, the current risk that is relevant to the Company is a re-pegging/de-pegging between the Hong Kong dollars to the United Stated dollars. For Renminbi portfolio, the product liabilities were either 99% coinsurance or supported by a pool of earmarked asset. There was no currency mismatch on Renminbi.

(c) Duration risk

The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in the current interest rates. The mean duration of the liabilities is calculated on the sensitivity of reserve changes due to change in valuation interest rate. The mean duration of the assets is determined by projecting the expected cash flows from the existing assets.

	2020	**2019**
Mean duration of assets	14 years	13 years
Mean duration of liabilities	34 years	30 years

This difference in duration means that when interest rates fall, the increase in the value of liabilities will be greater than the increase in the value of assets. The Investment Committee of the Company regularly monitors the duration risk.

Long-term insurance and investment contracts can be surrendered before maturity for the cash surrender value specified in the contractual terms and conditions. This surrender value is not greater than the carrying amount of the insurance and investment liabilities.

4.2.2 Credit risk

The Company 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 Company is exposed to credit risk are:

- Counterparty risk with respect to fixed income securities held by the Company;
- Amount due from insurance agents and brokers (Note 8);
- Amount due from reinsurers (Note 8); and
- Reinsurers' share of insurance liabilities.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. The lowest credit risk acceptable for new issues is B and the average credit rating is A.

The maximum credit risk for financial assets recognized on the statement of financial position is the carrying amount less, where applicable, any impairment losses recognized in accordance with HKAS39.

The table below analyses the balance by credit rating related to the debt securities held by the Company as at 31 December 2020 (source of the ratings are provided from Bloomberg for both United States dollars investment portfolio and Hong Kong dollars investment portfolio):

Debt security holdings (in US$)

As at 31 December 2020	AAA	AA	A	BBB	BB	B	CCC	CC	D	Not Rated	Total
Short-term debt securities	-	13,298,042	-	-	-	-	-	-	-	1,478,321	14,776,363
Long-term debt securities	103,159,180	508,803,268	1,476,511,644	690,139,843	224,752,289	185,321,530	6,630,862	-	-	83,318,967	3,278,637,583
Accrued interest (Note 8)	1,121,574	5,248,186	14,238,974	8,829,904	3,001,008	2,483,071	120,480	-	-	2,239,150	37,282,347
Total balance related to debt securities bearing credit risk	104,280,754	527,349,496	1,490,750,618	698,969,747	227,753,297	187,804,601	6,751,342	-	-	87,036,438	3,330,696,293

As at 31 December 2019	AAA	AA	A	BBB	BB	B	CCC	CC	D	Not Rated	Total
Short-term debt securities	-	25,671,844	-	-	-	-	- -		-	163,037	25,834,881
Long-term debt securities	105,005,356	506,548,747	1,381,742,999	513,309,923	161,838,052	98,724,527	-	-	2,610,734	41,225,790	2,811,006,128
Accrued interest (Note 8)	1,098,277	5,715,772	15,391,259	6,866,346	2,217,264	1,609,718	-	-	-	693,623	33,592,259
Total balance related to debt securities bearing credit risk	106,103,633	537,936,363	1,397,134,258	520,176,269	164,055,316	100,334,245	-	-	2,610,734	42,082,450	2,870,433,268

Reinsurance is used to manage insurance risk. This does not, however, discharges the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is evaluated by the Company on an annual basis.

4.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from benefit payments. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Daily cash flow requirements are monitored to determine the minimum cash balance that should be held. Over 90% of investments are fixed interest securities traded on a liquid market, which can be realized in a short period of time.

The Company manages the liquidity risk by monitoring the match of contractual cash inflows from the assets and expected cash outflows from insurance liabilities.

The following table analyses the contractual/expected timing of undiscounted cash flows as at 31 December 2020 (in US Dollars):

Assets	Carrying amount 31-Dec-20	No stated maturity	Within 1 year	Between 2 and 4 years	5 years or above
Right of use asset	5,635,619	-	-	-	-
Property, plant and equipment	2,729,747	-	-	-	-
Intangible assets	5,399,592	-	-	-	-
Debt securities - available-for-sale:	-	-	-	-	-
Listed - fixed interest rate	1,378,389,697	-	52,525,860	145,153,205	5,332,135,298
Listed - variable interest rate	6,142,406	-	374,450	1,123,350	6,607,412
Unlisted - fixed interest rate	1,241,811,293	-	48,027,305	140,909,563	1,897,836,163
Unlisted - variable interest rate	12,705,087	-	607,138	1,821,413	18,627,917
Debt securities - held-to-maturity :	-	-	-	-	-
Listed - fixed interest rate	483,402,424	-	22,636,324	67,586,367	735,080,702
Listed - variable interest rate	6,174,981	-	332,970	998,910	6,349,133
Unlisted - fixed interest rate	150,011,694	-	6,908,073	20,569,811	272,071,943
Unlisted – variable interest rate	-	-	-	-	-
Short-term debt securities:	-	-	-	-	-
Commercial paper/Treasury bills	14,612,138	-	14,612,138	-	-
Club debentures	164,224	164,224	-	-	-
Equity securities - available-for-sale:	-	-	-	-	-
Listed securities	177,857,889	177,857,889	-	-	-
Unlisted securities	4,591,268	4,591,268	-	-	-
Equity securities - at fair value through profit or loss:	-	-	-	-	-
Unlisted securities	2,507,357	2,507,357	-	-	-
Loans and receivables	155,112,527	60,677,830	74,695,857	-	18,750,000
Reinsurance contracts	22,904,186	-	557,904	(4,244,614)	(117,545,796)
Deferred acquisition cost	10,624,387	-	-	-	-
Unit-linked funds - at fair value through profit or loss	313,967,226	313,967,226	-	-	-
Derivative Assets - at fair value through profit or loss	53,907,881	-	16,541,619	-	37,983,285
Cash and cash equivalents	31,047,335	31,047,335	-	-	-
Current tax assets	171,014	-	-	-	-
Total	4,079,869,972	590,813,129	237,819,638	373,918,005	8,207,896,057

Liabilities	Carrying amount 31-Dec-20	No stated maturity	Within 1 year	Between 2 and 4 years	5 years or above
Policy reserve	2,647,069,591	-	(109,691,972)	(47,393,842)	8,458,413,414
Claims payable	15,017,181	228,782	14,788,398	-	-
Dividend on deposit to policyholders	89,036,415	89,036,415	-	-	-
Policyholder account balance	507,936,294	487,147,112	21,003,747	-	-
Premiums received in advance	3,018,824	-	3,018,824	-	-
Dividend payable to policyholders	11,362,860	-	11,362,860		-
Lease Liability	5,810,495	-	6,158,250	5,901,656	-
Other payables	17,156,769	3,537,430	13,240,225	-	-
Unit-linked liabilities	313,967,225	313,967,225	-	-	-
Commission payable	7,227,132	-	7,227,132	-	-
Reinsurance contracts payable	15,714,933	-	15,714,933	-	-
Current tax liabilities	(171,014)	-	(171,014)	-	-
Derivative liabilities - at fair value through profit or loss	17,107,260	-	902,394	563,880	17,409,327
Unearned revenue reserve	5,593,061	-	-	-	-
Total	3,655,847,026	893,916,964	(16,446,223)	(40,928,306)	8,475,822,741
Difference in cash flows		(303,103,835)	254,265,861	414,846,311	(267,926,684)

The following table analyses the contractual/expected timing of undiscounted cash flows as at 31 December 2019 (in US Dollars):

Assets	Carrying amount 31-Dec-19	No stated maturity	Within 1 year	Between 2 and 4 years	5 years or above
Right of use asset	11,528,675	-	-	-	-
Property, plant and equipment	3,262,491	-	-	-	-
Intangible assets	2,940,972	-	-	-	-
Debt securities - available-for-sale:					
Listed - fixed interest rate	144,083,062	-	14,794,781	48,406,714	146,272,177
Listed - variable interest rate	-	-	-	-	-
Unlisted - fixed interest rate	2,006,467,643	-	115,895,263	344,571,070	3,080,745,699
Unlisted - variable interest rate	16,690,728	-	954,263	2,862,788	25,769,834
Debt securities - held-to-maturity :					
Listed - fixed interest rate	175,102,378	-	7,889,678	24,105,848	288,010,956
Listed - variable interest rate	-	-	-	-	-
Unlisted - fixed interest rate	462,365,174	-	21,671,969	69,518,214	743,300,115
Unlisted – variable interest rate	6,297,143	-	332,970	998,910	6,683,027
Short-term debt securities:					
Commercial paper/Treasury bills	25,671,844	-	25,671,844	-	-
Club debentures	163,037	163,037	-	-	-
Equity securities - available-for-sale:					
Listed securities	30,197,519	30,197,519	-	-	-
Unlisted securities	105,122,936	105,122,936	-	-	-
Equity securities - at fair value through profit or loss:					
Unlisted securities	3,391,036	3,391,036	-	-	-
Loans and receivables	150,648,528	60,856,718	71,041,810	-	18,750,000
Reinsurance contracts	22,216,356	-	(819,171)	625,944	(109,683,960)
Deferred acquisition cost	11,954,346	-	-	-	-
Unit-linked funds - at fair value through profit or loss	279,439,478	279,439,478	-	-	-
Cash and cash equivalents	43,957,267	43,957,267	-	-	-
Total	3,501,500,613	523,127,991	257,433,407	491,087,488	4,199,847,848

Liabilities	Carrying amount 31-Dec-19	No stated maturity	Within 1 year	Between 2 and 4 years	5 years or above
Policy reserve	2,146,898,063	-	(130,260,649)	(105,843,687)	8,128,317,134
Claims payable	12,953,061	218,711	12,734,350	-	-
Dividend on deposit to policyholders	79,540,928	79,540,928	-	-	-
Policyholder account balance	456,293,202	399,469,911	56,823,291	-	-
Premiums received in advance	3,275,797	-	3,275,797	-	-
Dividend payable to policyholders	11,022,262	-	11,022,262	-	-
Lease Liability	11,705,584	-	6,158,250	5,901,656	-
Other payables	24,062,578	3,733,353	16,058,655	4,270,569	-
Unit-linked liabilities	279,439,478	279,439,478	-	-	-
Commission payable	9,776,474	-	9,776,474	-	-
Reinsurance contracts payable	12,028,334	-	12,028,334	-	-
Current tax liabilities	3,486,105	-	3,486,105	-	-
Derivative liabilities - at fair value through profit or loss	24,487,401	-	902,394	563,880	25,537,397
Unearned revenue reserve	5,882,743	-	-	-	-
Total	3,080,852,010	762,402,381	2,005,263	(95,107,582)	8,153,854,531
Difference in cash flows		(239,274,390)	255,428,144	586,197,070	(3,954,006,683)

4.2.4 Unit-linked contracts

For unit-linked contracts, the Company matches all the assets on which the unit prices are based with assets in the portfolio. There is therefore no currency, credit, or interest rate risk for these contracts that are borne by the Company.

	Investment held at risk of insurance contract holders		Investment held at risk of investment contract holders	
	2020	**2019**	**2020**	**2019**
Unit-linked fund				
At fair value through profit or loss				
- Unlisted	188,369,037	158,987,976	125,598,189	120,451,502
Total unit-linked fund assets	188,369,037	158,987,976	125,598,189	120,451,502
Total unit-linked fund liabilities	188,369,037	158,987,976	125,598,189	120,451,502

4.2.5 Capital management

The Company's objectives when managing capital are:

- To comply with the solvency maintenance requirements set out in the Hong Kong Insurance Ordinance. The Company manages its capital on a basis of 150% of its minimum regulatory capital position as presented in the table below. Management considers the quantitative threshold of 150% sufficient to maximize shareholders' return and to support the capital required to write each of its businesses;
- To safeguard the Company's ability to continue as a going concern basis so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The local insurance regulator specifies the minimum amount and type of capital that must be held in addition to their insurance liabilities. The minimum required surplus (capital) (presented in the table below) must be maintained at all times throughout the year. The Company has embedded in its Asset Liability Management Framework the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarizes the minimum required surplus (capital) across the Company and the regulatory capital held against each of them.

	2020	**2019**
Actual surplus	420,578,237	417,150,004
Required surplus	141,580,689	119,674,523
Actual / Required surplus	297%	349%

Effective from 31 December 2011, the Company signed a subordinated loan agreement with Chubb Tempest Life Reinsurance Ltd. that Chubb Tempest Life Reinsurance Ltd. would make available subordinated loan to the Company for a loan or a series of loans in aggregate principle amount of US$15,000,000 upon request by the Company. Such amount was subsequently raised to US$35,000,000 in 2020. The subordinated loan is unsecured, at a fixed interest rate of 1% per annum. The facility is open-ended with repayment subject to regulatory approval. As of 31 December 2020, the Company has no request on the subordinated loan.

The Company has no external borrowing. The capital of the company represents the share capital as described in Note 12.

Certain financial assets and financial liabilities of the Company are subject to enforceable master netting arrangements or similar agreements. The agreement between the Company and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Company are not offset in accordance with HKFRS.

As at 31 December 2020, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements is not material to the Company.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's financial assets and liabilities that are measured at fair value as at 31 December 2020

31 December 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
through profit or loss				
- Unit-linked funds	316,474,583	-	-	316,474,583
- Derivative	-	53,907,881	-	53,907,881
Available-for-sale financial assets				
- Equity securities	177,857,889	4,591,268	-	182,449,157
- Debt securities	-	2,653,660,620	164,225	2,653,824,845
Total assets	494,332,472	2,712,159,769	164,225	3,206,656,466
Liabilities				
Financial liabilities at fair value				
through profit or loss				
- Insurance contracts	188,369,037	-	-	188,369,037
- Investment contracts	125,598,189	-	-	125,598,189
- Derivatives	-	17,107,260	-	17,107,260
Total liabilities	313,967,226	17,107,260	-	331,074,486

The following table presents the Company's financial assets and liabilities that are measured at fair value as at 31 December 2019

31 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
through profit or loss				
- Unit-linked funds	282,830,514	-	-	282,830,514
Available-for-sale financial assets				
- Equity securities	30,197,520	105,122,935	-	135,320,455
- Debt securities	-	2,192,913,277	163,037	2,193,076,314
Total assets	313,028,034	2,298,036,212	163,037	2,611,227,283
Liabilities				
Financial liabilities at fair value				
through profit or loss				
- Insurance contracts	158,987,976	-	-	158,987,976
- Investment contracts	120,451,502	-	-	120,451,502
- Derivatives	-	24,487,401	-	24,487,401
Total liabilities	279,439,478	24,487,401	-	303,926,879

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company 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. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices for unit-linked funds and equity instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of currency forward with Chubb Tempest Life Reinsurance Ltd. is calculated with reference to the forward exchange rate quoted from Bloomberg.
- The fair value of debt investments, cross currency swap contracts and forward contracts managed by PIMCO are provided by Intercontinental Exchange, Inc. ("ICE") (formerly known as Interactive Data (Hong Kong) Limited) which is based on market data. ICE utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and, when available, loan performance data.

The level 3 assets as at 31 December 2020 are the club debentures which are carried at the transaction price at initial recognition. The carrying amount is US$164,224 (2019: US$163,037) which represented approximately 0.01% (2019: 0.01%) of the total assets as at 31 December 2020. No sensitivity test was performed because it is not material to the total portfolio.

The following table presents the change in level 3 instruments for the year ended 31 December 2020.

	Debt securities at available-for-sale
At 1 January 2020	163,037
Foreign exchange gains	1,187
At 31 December 2020	164,224
Total gains for the year included in profit or loss for assets held at the end of the reporting period	1,187

The following table presents the change in level 3 instruments for the year ended 31 December 2019.

	Debt securities at available-for-sale
At 1 January 2019	162,843
Foreign exchange gains	194
At 31 December 2019	163,037
Total gains for the year included in profit or loss for assets held at the end of the reporting period	194

Note 5 Property, plant and equipment

	Furniture, fittings and equipment	Computer equipment	Telecom. equipment	Total
At 1 January 2019				
Cost	7,124,546	4,008,087	568,110	11,700,743
Accumulated depreciation	(4,326,458)	(3,673,024)	(547,745)	(8,547,227)
Net book amount	2,798,088	335,063	20,365	3,153,516
Year ended 31 December 2019				
Opening net book amount	2,798,088	335,063	20,365	3,153,516
Additions	125,161	867,958	459	993,578
Disposals	-	-	-	-
Depreciation charge (Note 24(e))	(601,148)	(274,800)	(8,655)	(884,603)
Closing net book amount	2,322,101	928,221	12,169	3,262,491
At 31 December 2019				
Cost	7,249,707	4,848,711	568,569	12,666,987
Accumulated depreciation	(4,927,606)	(3,920,490)	(556,400)	(9,404,496)
Net book amount	2,322,101	928,221	12,169	3,262,491
Year ended 31 December 2020				
Opening net book amount	2,322,101	928,221	12,169	3,262,491
Additions	213,625	258,286	8,306	480,217
Disposals	-	(6,129)	-	(6,129)
Depreciation charge (Note 24(e))	(652,979)	(346,754)	(7,099)	(1,006,832)
Closing net book amount	1,882,747	833,624	13,376	2,729,747
At 31 December 2020				
Cost	7,463,332	4,327,152	533,399	12,323,883
Accumulated depreciation	(5,580,585)	(3,493,528)	(520,023)	(9,594,136)
Net book amount	1,882,747	833,624	13,376	2,729,747

A depreciation charge of US$149,292 (2019: US$114,687) of total depreciation of US$1,006,832 (2019: US$884,603) was charged back to Chubb INA International Holdings, Ltd. and US$857,540 (2019: US$769,916) has been charged in operating expenses.

Note 5(a) Right-of-use asset

Cost	**US$**
At 1 January 2020, as previously reported	17,415,658
During for the year	-
Balance as at 31 December 2020	17,415,658
Accumulated depreciation	
At 1 January 2020	(5,886,983)
Depreciation charge for the year	(5,893,056)
At 31 December 2020	(11,780,039)
Net book value	
At 31 December 2020	**5,635,619**

Cost	
At 1 January 2019, as previously reported	-
Opening adjustment on adoption of HKFRS 16	17,415,658
Balance as at 1 January 2019, as adjusted and 31 December 2019	17,415,658
Accumulated depreciation	
At 1 January 2019	-
Depreciation charge for the year	(5,886,983)
At 31 December 2019	(5,886,983)
Net book value	
At 31 December 2019	**11,528,675**

(i) The Company's leasing activities and how these are accounted for

The Company leases the office. Rental contract is typically made for fixed periods but may have extension options as described in (ii) below.

(ii) Extension and termination options

Extension and termination options are included in the lease, across the Company. These are used to maximize operational flexibility in terms of managing the assets used in the company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the lessor.

Note 6 Intangible assets

	Computer software	Agency intangible	Total
At 1 January 2019			
Cost	6,776,035	2,418,580	9,194,615
Accumulated amortization	(4,239,275)	(2,418,580)	(6,657,855)
Net book amount	2,536,760	-	2,536,760
Year ended 31 December 2019			
Opening net book amount	2,536,760	-	2,536,760
Additions	957,851	64,103	1,021,954
Disposals	-	-	-
Amortization charge (Note 24(e))	(612,572)	(5,170)	(617,742)
Closing net book amount	2,882,039	58,933	2,940,972
At 31 December 2019			
Cost	7,733,886	2,482,683	10,216,569
Accumulated amortization	(4,851,847)	(2,423,750)	(7,275,597)
Net book amount	2,882,039	58,933	2,940,972
Year ended 31 December 2020			
Opening net book amount	2,882,039	58,933	2,940,972
Additions	3,347,569	-	3,347,569
Disposals	-	-	-
Amortization charge (Note 24(e))	(876,543)	(12,406)	(888,949)
Closing net book amount	5,353,065	46,527	5,399,592
At 31 December 2020			
Cost	11,081,455	2,482,683	13,564,138
Accumulated amortization	(5,728,390)	(2,436,156)	(8,164,546)
Net book amount	5,353,065	46,527	5,399,592

Amortization expense of US$888,949 (2019: US$617,742) has been charged in operating expenses.

Note 7 Financial instruments

The Company's financial instruments are summarized by measurement category in the tables below:

	2020	2019
Held-to-maturity	639,589,099	643,764,695
Available-for-sale	2,836,274,002	2,328,396,769
Fair value through profit or loss	353,275,204	282,830,514
Loans and receivables (Note 8)	155,112,527	150,648,528
Total financial assets	3,984,250,832	3,405,640,506

The current portion of financial assets is US$160,427,414 (2019: US$156,773,368), the remaining being non-current.

	2020	2019
Fair value through profit or loss, including derivatives	(17,107,260)	(24,487,401)
Total derivative liabilities	(17,107,260)	(24,487,401)

The current portion of derivative liabilities due within one year is NIL (2019: US$902,394).

The financial instruments included in each of the categories above are detailed in the tables below.

Held-to-maturity financial assets	2020	2019
At amortized cost:		
Long-term debt securities:		
Listed – fixed interest rate	483,402,424	175,102,378
Listed – variable interest rate	6,174,981	-
Unlisted – fixed interest rate	150,011,694	462,365,174
Unlisted – variable interest rate	-	6,297,143
Total held-to-maturity financial assets	639,589,099	643,764,695

There was no financial assets reclassified out of the available-for-sale category into held-to-maturity category in 2020.

Available-for-sale financial assets	2020	2019
Equity securities		
Listed	177,857,889	30,197,519
Unlisted	4,591,268	105,122,936
Total equity securities	182,449,157	135,320,455
Long-term debt securities		
Listed – fixed interest rate	1,378,389,697	144,083,062
Listed – variable interest rate	6,142,406	-
Unlisted – fixed interest rate	1,241,811,293	2,006,467,643
Unlisted – variable interest rate	12,705,087	16,690,728
	2,639,048,483	2,167,241,433
Short-term debt securities		
Listed – fixed interest rate	-	-
Unlisted – fixed interest rate	14,612,138	25,671,844
Club debentures	164,224	163,037
Total debt securities	2,653,824,845	2,193,076,314
Total available-for-sale financial assets	2,836,274,002	2,328,396,769

Financial assets at fair value through profit or loss	2020	2019
Unit trusts	2,507,357	3,391,036
Unit-linked funds – insurance contracts (Note 4.2.4)	188,369,037	158,987,976
Unit-linked funds – investment contracts (Note 4.2.4)	125,598,189	120,451,502
Derivative assets	53,907,881	-
Total financial assets at fair value through profit or loss	370,382,464	282,830,514

Unit-linked funds represent investments in investment fund units.

Derivative liabilities at fair value through profit or loss	2020	2019
Derivative liabilities	(17,107,260)	(24,487,401)
Total derivative liabilities	(17,107,260)	(24,487,401)

Movement of financial instruments are detailed in the table below:

			Fair value through profit or loss		
	Available for sale	Held to Maturity	Non-derivatives	Derivatives	Total
At the beginning of 2019	1,744,030,641	663,535,188	252,437,460	(24,015,709)	2,635,987,580
Exchange difference on assets	416,242	-	-	-	416,242
Additions	682,787,649	-	25,965,539	-	708,753,188
Disposals	(371,675,133)	(15,722,928)	(39,597,309)	(735,787)	(427,731,157)
Reclassified as held-to-maturity	-	-	-	-	-
Amortization	(2,119,599)	(4,047,566)	-	-	(6,167,165)
Interest accrual for Interest Rate Swap	-	-	-	(2,566,377)	(2,566,377)
Impairment	(174,548)	-	-	-	(174,548)
Net fair value gain (Note 20)	275,131,517	-	44,024,823	2,830,472	321,986,812
At 31 December of 2019	2,328,396,769	643,764,694	282,830,513	(24,487,401)	3,230,504,575
At the beginning of 2020	2,328,396,769	643,764,694	282,830,513	(24,487,401)	3,230,504,575
Exchange difference on assets	2,084,459	-	-	-	2,084,459
Additions	763,440,854	-	24,689,709	-	788,130,563
Disposals	(431,088,511)	-	(48,041,075)	(866,679)	(479,996,265)
Reclassified as held-to-maturity	-	-	-	-	-
Amortization	(2,759,155)	(4,175,595)	-	-	(6,934,750)
Interest accrual for interest rate swap	-	-	-	2,097,560	2,097,560
Impairment	(228,524)	-	-	-	(228,524)
Net fair value gains (Note 2012)	176,428,110	-	56,995,436	60,057,141	293,480,687
At 31 December of 2020	2,836,274,002	639,589,099	316,474,583	36,800,620	3,829,138,304

Note 8 Loans and receivables

	2020	2019
Receivables arising from insurance and reinsurance contracts		
Premiums receivable	12,077,465	8,335,860
Due from reinsurers	19,271,357	16,764,630
Other loans and receivables		
Policy loans	59,436,977	59,576,905
Advances to agents and brokers	282,488	321,448
Accrued investment income (Note 4.2.2)	37,282,347	33,592,259
Receivables from related parties (Note 29)	2,008,453	8,196,017
Other receivables	24,753,440	23,861,409
Total loans and receivables	155,112,527	150,648,528

	2020	2019
Current portion		
Premiums receivable	12,077,465	8,335,860
Due from reinsurers	19,271,357	16,764,630
Accrued investment income	37,282,347	33,592,259
Receivables from related parties	2,008,453	8,196,017
Advances to agents and brokers	-	-
Other receivables	4,798,093	4,153,044
	75,437,715	71,041,810
Non-current portion		
Policy loans	59,436,977	59,576,905
Advances to agents and brokers	282,488	321,448
Other receivables	19,955,347	19,708,365
	79,674,812	79,606,718
Total loans and receivables	155,112,527	150,648,528

Policy loans are fully collateralized by the cash values of the underlying policies. As of 31 December 2020 and 2019 the estimated fair values of loans and receivables approximate the carrying amounts.

Note 9 Derivative financial instruments

The Company has two types of derivative financial instruments, namely Currency Forward and Interest Rate Swap.

Under the Currency Forward with Chubb Tempest Life Reinsurance Ltd. which was first effective on 30 December 2011, the Company was under obligation to receive Hong Kong dollars and deliver United States dollars at an agreed price from 90 days after the effective date or rollover date of the agreement. The Company intends to rollover the forward contract every 90 days. No collateral is required as long as the value of Currency Forward is below US$25 million. Collateral is required when the derivative value is above US$25 million. Maximum exposure for both parties is US$50 million. Value of the derivative is settled every five years. As of 31 December 2020, the notional amount of the contract was US$125 million (2019: US$125 million).

Under the Interest Rate Swap with Chubb Tempest Life Reinsurance Ltd. effective on 30 December 2011, the Company pays market floating rate in return of a fixed rate against the volatile market interest environment. The variable interest rate is referenced to the Hong Kong 6 months HIBOR and is reset semi-annually. No collateral is required as long as the value of Interest Rate Swap is below US$25 million. Collateral is required when the derivative value is above US$25 million for three consecutive months. Maximum collateral amount for both parties is US$30 million. The notional amount of the interest rate swap contract is US$ 650 million (2019: US$650 million). The interest rate swap reduces the surplus volatility due to reserve movement from further drop of Hong Kong dollars interest rates. Maximum exposure for both parties is US$50 million.

Under the currency derivative arrangement managed by PIMCO effective on 23 April 2012, PIMCO would manage the currency derivative to exchange Hong Kong dollars from United States dollars. As of 31 December 2020, the notional amount of Cross Currency Swap contracts was nil (2019: nil). As of 31 December 2020, there were Currency Forward contracts with notional US$891 million (2019: US$882million) (with net currency exposure of US$570 million (2019: US$554 million)). A maximum of 4% of the total portfolio value are held in cash or short-term investments at the discretion of PIMCO for potential collateral requirement. As at 31 December 2020, the collateral assets were amounted to US$18,990,000 (2019: US$18,750,000).

Note 10 Deferred acquisition costs related to investment contracts

	2020	2019
Balance as at 1 January	11,954,346	7,153,522
Additions	429,166	363,454
Impact of assumption changes	-	5,590,004
Less: amortization	(1,759,125)	(1,152,634)
Balance as at 31 December	10,624,387	11,954,346

Note 11 Cash and cash equivalents

As at 31 December	2020	2019
Cash at bank and on hand	31,047,335	43,957,267
Total Cash at bank and on hand	31,047,335	43,957,267

Note 12 Shareholders fund

	2020	2019
Share capital - common shares		
Authorized:		
340,000,000 (2019: 340,000,000) shares of par value US$1.00 each	340,000,000	340,000,000
Issued and fully paid:		
300,072,049 (2019: 300,072,049) shares of par value US$1.00 each	300,072,049	300,072,049
Unearned stock grant compensation reserve	237,279	-
Accumulated losses	(426,864,461)	(256,644,896)
Investment revaluation reserve		
At 1 January	377,221,450	105,216,937
Net change in fair value of available-for-sale financial assets	176,428,110	275,131,517
Amortization of unrealized gain of held-to-maturity assets	(3,242,496)	(3,127,004)
At 31 December	550,407,064	377,221,450
Total shareholders fund	423,851,931	420,648,603

There was no change in authorized share capital and issued common shares during the year (2019: nil).

Note 13 Insurance liabilities and reinsurance assets

(a) Insurance contract liabilities and reinsurance assets

Year ended 31 December	2020			2019		
Long-term insurance liabilities	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
At beginning of year	2,146,898,063	(22,216,356)	2,124,681,707	1,731,633,145	(24,661,751)	1,706,971,394
Valuation premiums received	255,591,270	(687,830)	254,903,440	233,080,862	2,455,773	235,536,635
Liabilities released for payments on termination in the year	(59,907,025)	-	(59,907,025)	(52,517,787)	-	(52,517,787)
Interest credit	52,553,467	-	52,553,467	50,508,677	-	50,508,677
Other movements *	251,933,816	-	251,933,816	184,193,166	(10,378)	184,182,788
At end of year	2,647,069,591	(22,904,186)	2,624,165,405	2,146,898,063	(22,216,356)	2,124,681,707
Policy contract claims	15,017,181	-	15,017,181	12,953,061	-	12,953,061
At end of year	2,662,086,772	(22,904,186)	2,639,182,586	2,159,851,124	(22,216,356)	2,137,634,768

* Other movement mainly represent the impact of assumption change, bonus payment, expected claims for in-force. For the impact of assumption change, please refer to Note 13(b)(ii) Changes in assumptions.

Net insurance liabilities	**2020**	**2019**
Long-term insurance liabilities with DPF	2,137,478,413	1,733,203,282
Policy contract claims with DPF	6,336,913	3,336,865
Total with DPF	2,143,815,326	1,736,540,147
Long-term insurance liabilities without DPF	486,686,992	391,478,425
Policy contract claims without DPF	8,680,268	9,616,196
Total without DPF	495,367,260	401,094,621
At end of year	2,639,182,586	2,137,634,768

(b) Assumptions and changes in assumptions

(i) Process used to decide on assumptions

For insurance contracts, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths (or other morbidity rates for critical illness, hospitalization, accident and disability), investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to the mortality, morbidity and investment return assumptions.

Subsequently, new estimates are developed at each reporting date to determine the liabilities based on the latest estimates. The Company carries out claim experience study annually to review the actual experience against previous estimates, and determined if changes are necessary.

The process used in determining the assumptions used for valuing the insurance contracts disclosed in this note are as follows:

Investment return

The determination of long term policyholder liabilities by the Company incorporates the latest local regulatory requirements. It is a weighted average rate of investment return derived from the yield on the existing financial assets and the yield on sums to be invested in the future. The yield on existing financial assets is the expected return of different asset type that is normally benchmarked to the latest market information, except for the held-to-maturity securities to which the book yield at the date of classification of held-to-maturity is applied. The yield on sums to be invested in the future is based on the average of the yield at the valuation date and the forward-looking yield, which is the average yield for the last three preceding years.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Company's experience over the most recent three years is performed to derive our own assumptions based on the chosen mortality table.

For most whole life basic plans, One-and-a-Half Years Full Preliminary Term Net Premium Valuation Method with 2.45% / 1.70% interest rate for United States dollars/Hong Kong dollars currency respectively and 55% HKA01 mortality table is used to reflect the initial acquisition expenses and sufficiently provide the contractual benefits, while unearned net premium valuation method is used for supplementary contracts.

Morbidity

Critical illnesses
The rate of diagnosis of critical illnesses and recovery from disability is derived from reinsurers' information, adjusted where appropriate for the Company's own experience.

Hospitalization, accident and disability
The company uses assumptions based on the Company's internal experience to measure its claims liabilities. Internal experience is derived mostly from the Company's annual claims studies.

Expense

Expense reserve is set up based on marginal maintenance expense after policies are paid up. The expense assumption is based on the cost that would be likely to be incurred in fulfilling existing contract obligations.

(ii) Changes in assumptions

Changes in assumptions resulted in the total reserve being increased by US$320 million in year 2020. The changes in assumptions have been updated as follows:

(a) The maximum valuation interest rate was revised from 2.85% and 2.20% in 2019 to 2.45% and 1.70% for United States dollars and Hong Kong dollars respectively in 2020 in view of the interest rate market change for the respective currencies. A lower valuation interest is used for products with a lower guaranteed cash value interest or dividend interest rate. The average valuation interest rate weighted by the liability reserve was 2.20%. Policy reserves were increased by US$320 million in 2020 due to the change of the valuation interest rate.

(b) 2020 assumptions remained the same as 2019's and therefore, there is no impact to statutory reserve due to the change in assumptions.

(c) Financial liabilities

(i) Unit-linked liabilities for insurance contracts

	2020	2019
Year ended 31 December	**Gross & Net**	**Gross & Net**
At beginning of year	158,987,976	141,925,058
Premiums (net of charges) received	13,379,599	14,862,646
Liabilities released for payments on termination in the year	(24,289,695)	(19,914,398)
Change in unit-prices	40,291,157	22,114,670
At end of year	188,369,037	158,987,976

(ii) Unit-linked liabilities for investment contracts

	2020	2019
Year ended 31 December	**Gross & Net**	**Gross & Net**
At beginning of year	120,451,502	106,427,564
Premiums (net of charges) received	10,855,425	10,475,678
Liabilities released for payments on termination in the year	(22,593,310)	(18,234,882)
Change in unit-prices	16,803,326	21,737,917
Other movements	81,246	45,225
At end of year	125,598,189	120,451,502

The liability for unit-linked investment contracts represents the account values of the policies.

The benefits offered under the Company's unit-linked contracts are based on the return of investment funds. This investment mix is unique, it cannot be associated with an individual benchmark index with a sufficiently high correlation with the asset selection operated by the Company of its linked funds. The Company invested in the following fund houses: INVESCO Asset Management Asia Ltd., Baring Asset Management (Asia) Ltd., BNP Paribas Investment Partners Asia Ltd., Fidelity Investments Management (HK) Ltd., JP Morgan Funds (Asia) Ltd., First State Investments (HK) Ltd., Aberdeen International Fund Managers Ltd., Amundi Hong Kong Ltd. and Schroder Investment Management (Hong Kong) Ltd..

All financial interests held under unit-linked products are designated by the Company as fair value through profit or loss account. The liabilities originating from unit-linked contracts are measured with reference to their respective underlying assets of these contracts.

Note 14 Unearned revenue reserve related to investment contracts

	2020	2019
Balance as at 1 January	5,882,743	2,673,989
Additions	316,554	320,114
Impact of assumption change	-	3,534,054
Less: amortization	(606,237)	(645,414)
Balance as at 31 December	5,593,060	5,882,743

Note 15 Other payables

	2020	2019
Amount due to related parties (Note 29)	2,427,775	3,199,561
Accrued expenses	6,969,810	7,229,687
Employee benefits payable	4,999,109	5,717,190
Payable for purchase of bonds	679,680	5,207,279
Others	2,080,395	2,708,861
Total	17,156,769	24,062,578

The current portion which is due within one year amounts to US$13,240,225 (2019: US$16,058,655).

Note 16 Net insurance premium revenue

	2020	2019
Premium receivable		
New policies		
Single premium	1,352,299	7,045,974
Regular premium	32,003,344	58,534,079
Renewal policies		
Regular premium	333,964,026	321,625,335
Change in due premium		
New policies		
Regular premium	(29,190)	(5,101)
Renewal policies		
Regular premium	3,763,522	421,241
Premium revenue arising from insurance contracts issued	371,054,001	387,621,528
Reinsurance contracts		
New policies		
Regular premium	(864,457)	(109,169)
Renewal policies		
Regular premium	(21,054,794)	(19,662,494)
Premium revenue ceded to reinsurers on insurance contracts issued	(21,919,251)	(19,771,663)
Net insurance premium revenue	349,134,750	367,849,865

Note 17 Fee income

	2020	2019
Policy administration and asset management services:		
Insurance contracts		
Policy administration fee	4,077,821	4,447,322
Surrender charges	2,030,908	3,807,897
Ceded premium	(209,242)	(203,529)
Total Fee Income – Insurance Contracts	5,899,487	8,051,690
Investment contracts		
Policy administration fee	2,987,248	3,106,034
Surrender charges	627,002	608,955
Total Fee Income – Investment Contracts	3,614,250	3,714,989

Note 18 Investment income

	2020	2019
Available-for-sale		
Dividend income	1,873,954	994,380
Interest income	95,900,907	85,624,765
Held-to-Maturity		
Interest income	30,010,457	29,013,591
At fair value through profit or loss		
Derivative instrument – interest income / (expenses)	2,200,091	(2,334,521)
Policy loan interest income	4,184,181	4,008,380
Cash and cash equivalents interest income	80,286	342,280
Total Investment Income	134,249,876	117,648,875

Note 19 Net realized gains on financial assets

	2020	2019
Available-for-sale		
Realized (losses)/gains on debt securities	(3,619,324)	3,652,925
Impairment losses	(228,524)	(174,548)
	(3,847,848)	3,478,377
At fair value through profit or loss:		
Realized gains	43,994,387	486,498
	40,146,539	3,964,875

Note 20 Net fair value gains on financial assets at fair value through profit or loss

	2020	2019
Unit trusts	(99,047)	172,236
Unit-linked funds	57,094,483	43,852,587
Derivatives	60,057,141	2,830,472
	117,052,577	46,855,295

Note 21 Other operating income

	2020	2019
Reinsurance refund	4,504	8,586
Other income	1,607,348	92,489
	1,611,852	101,075

Note 22 Insurance benefits and claims

	2020	2019
Long-term insurance contracts with fixed and guaranteed terms		
Death, maturity and surrender benefits	131,356,480	143,634,623
Increase in reserve liabilities	559,620,165	484,511,498
Interest credit to policyholder	1,056,357	1,003,961
Long-term insurance contracts without fixed term (unit-linked)		
Death benefit (in excess of account balances)	3,171,260	2,939,480
Increase in reserve liabilities	40,588,543	22,519,632
Total insurance benefits and claims	735,792,805	654,609,194
Recovered from reinsurers		
Insurance benefits and claims recovered from reinsurers	(16,948,033)	(19,344,858)
(Increase) / Decrease in reserve liabilities	(16,292)	2,192,889
Total recovered from reinsurers	(16,964,325)	(17,151,969)

Note 23 Investment contract benefits

Investment contract benefits included revaluation gain from unit-linked investment contracts for US$16,807,327 (2019: US$21,737,917) accrued to the account of the contract holder as the fair value of the net gains (2019: net gains) arising from the underlying linked assets. All these contracts have been designated as fair value through profit or loss upon initial recognition.

Note 24 Expenses by nature

(a) Expenses for the acquisition of insurance contracts

Year ended 31 December 2020	Direct	Ceded	Total 2020
Life and annuity			
New policies			
Single	25,838	-	25,838
Regular	22,806,220	(98,459)	22,707,761
Renewal policies			
Regular	13,068,372	(66,231)	13,002,141
	35,900,430	(164,690)	35,735,740
Unit-linked -- Insurance contracts			
New policies			
Single	11,594	-	11,594
Regular	185,049	(243)	184,806
Renewal policies			
Regular	553,705	(8,590)	545,115
	750,348	(8,833)	741,515
Coinsurance	-	(98,031)	(98,031)
Total	36,650,778	(271,554)	36,379,224

Year ended 31 December 2019	Direct	Ceded	Total 2019
Life and annuity			
New policies			
Single	53,931	-	53,931
Regular	30,205,203	(173,115)	30,032,088
Renewal policies			
Regular	12,708,666	(74,261)	12,634,405
	42,967,800	(247,376)	42,720,424
Unit-linked -- Insurance contracts			
New policies			
Single	11,899	-	11,899
Regular	162,122	(351)	161,771
Renewal policies			
Regular	679,939	(9,958)	669,981
	853,960	(10,309)	843,651
Coinsurance	-	(8,774)	(8,774)
Total	43,821,760	(266,459)	43,555,301

(b) Expenses for the acquisition of investment contracts

Year ended 31 December 2020	Direct	Ceded	Total
Life and annuity			
New policies			
Single	26,030	-	26,030
Regular	29,075	-	29,075
	55,105	-	55,105
Unit-linked – Investment contracts			
New policies			
Single	72,940	-	72,940
Regular	81,727	-	81,727
Renewal policies			
Regular	67,431	-	67,431
	222,098	-	222,098
Total	277,203	-	277,203

Year ended 31 December 2019	Direct	Ceded	Total
Life and annuity			
New policies			
Single	25,329	-	25,329
Regular	33,783	-	33,783
	59,112	-	59,112
Unit-linked – Investment contracts			
New policies			
Single	31,879	-	31,879
Regular	37,406	(14)	37,392
Renewal policies			
Regular	120,287	-	120,287
	189,572	(14)	189,558
Total	248,684	(14)	248,670

(c) Expenses for sales and marketing

	2020	2019
Sales incentive program	2,294,998	3,903,829
Advertising and sponsorship	569,419	1,817,519
Market research and campaign	38,376	159,361
Total sales and marketing expenses	2,902,793	5,880,709

(d) Expenses for employee benefits

	2020	2019
Wages and salaries	16,415,070	15,043,307
Unutilized annual leave	51,144	53,242
Pension cost - mandatory provident fund for staff	683,439	707,584
Pension cost - occupational retirement scheme for agents	269,220	362,759
Others	1,447,831	2,049,003
Total employee benefits expenses	18,866,704	18,215,895

(e) Other operating expenses

	2020	2019
Depreciation and amortization charges (Note 5 & 6)	1,746,490	1,387,658
Deprecation on right-of-use assets (Note 5)	5,893,057	5,886,983
Office services and utilities	812,965	1,398,712
Legal and professional fee	1,147,220	961,737
Auditors' remunerations	543,509	364,294
Foreign exchange losses	5,948,697	1,690,196
Other expenses	2,958,135	3,421,418
Total operating expenses	19,050,073	15,110,998

Note 25 Directors' remuneration

	2020	2019
Pension	32,136	31,200
Share-based payment	185,191	175,389
Other emoluments	638,583	631,978
	855,910	838,567
Fee	50,000	50,000
Total	905,910	888,567

The aggregate amount of emoluments of the paid directors and the three highest paid directors was US$905,910 (2019: US$888,567). Director's remuneration of US$855,910(2019: US$838,567) is included in expenses for employee benefits in the statement of profit or loss and other comprehensive income. Independent Non-Executive Director's remuneration of US$50,000 (2019: US$50,000) is included in other operating expenses in the statement of profit or loss and other comprehensive income.

Note 26 Current tax liabilities

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for Hong Kong profits tax purposes, which is based on premium income.

(a) The amount of taxation charged in the statement of profit or loss and other comprehensive income represents:

Taxation	2020	2019
Hong Kong Profits Tax	3,174,294	3,344,350
Under provision in prior years	(2,668)	(1,219)
Withholding tax on investment interest income	-	1,583
Total	3,171,626	3,344,714

(b) The amount of taxation in the statement of financial position represents:

	2020	2019
Hong Kong profits tax (receivable) / payable	(171,014)	3,486,105
Current tax (receivable) / payable	(171,014)	3,486,105

Hong Kong profits tax is based on premium income. Therefore, no tax will be imposed on other comprehensive income.

Note 27(a) Cash used in operations

	2020	2019
Loss before taxation	(167,047,938)	(196,471,400)
Depreciation	7,788,838	7,389,328
Gain on disposal and amortization of fixed assets	6,129	-
Finance costs	263,161	441,829
Operating loss before working capital changes	(158,989,810)	(188,640,243)
Decrease in financial assets - unit trust	883,679	693,802
Increase in financial assets - equity securities	(67,341,999)	(15,633,023)
Increase in financial assets - debt securities	(263,468,849)	(277,314,890)
Increase in financial assets - unit-link fund insurance contract	(29,381,061)	(17,062,918)
Increase in financial assets- unit-link fund investment contract	(5,146,687)	(14,023,938)
Increase in financial assets - premium receivable	(3,740,998)	(427,583)
Increase in financial assets - due from reinsurers	(2,151,670)	(5,077,742)
Decrease/(Increase) in financial assets - policy loan	240,782	(726,338)
Decrease/(Increase) in financial assets - advances to agents	41,045	(156,784)
Dividend income on available-for-sale equity securities	(2,151,670)	(994,380)
Increase in financial assets - accrued investment income	(124,751,384)	(119,350,455)
Increase in financial assets - other receivables	(896,507)	(15,053,743)
Decrease/(Increase) in trade and other receivable amount due from related parties	6,206,452	(2,441,915)
Decrease/(Increase) in deferred acquisition costs	1,329,959	(4,800,824)
Foreign exchange loss on operation	4,421,965	114,887
Increase in insurance contracts policy reserve and claims	501,249,343	417,843,627
(Decrease)/Increase in unearned revenue reserve	(289,683)	3,208,754
Increase in insurance contracts dividend payable to policyholders	340,598	1,382,858
Increase in insurance contracts dividend on deposit to policyholders	9,786,219	12,476,260
Increase in insurance contracts liabilities and premium received in advance	51,386,119	89,588,132
Increase in financial liabilities - insurance contracts policyholder account balances	29,381,061	17,062,918
Increase in financial liabilities - investment contracts policyholder account balances	5,146,687	14,023,938
(Decrease)/Increase in derivative liabilities	(7,380,141)	471,692
(Decrease)/Increase in commission payable	(7,253,249)	1,296,909
Increase in amount payable under reinsurance contract	3,640,606	3,802,767
Increase in trade and other payable amount due to related parties	138,906	50,541
(Decrease)/Increase in other payable - trade payables and accrued expenses	(4,860,605)	5,247,690
Decrease in other payables - employee benefit	(718,081)	(1,765,886)
Increase in derivative asset	(53,907,881)	-
Decrease in other payables	(1,275,997)	(209,521)
Cash outflow used in operations	(119,512,851)	(96,415,408)

The Company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance and investment contracts, net of the cash flows for payments of insurance benefits and claims and investment contract benefits.

Note 27 (b) Reconciliation of liabilities arising from financing activities

	Lease Liabilities
At 1 January 2020	11,705,584
Interest on lease liabilities	263,161
Cash flows	
Payments of capital elements of lease liabilities	(5,895,089)
Payments of interest elements of lease liabilities	(263,161)
At 31 December 2020	5,810,495

Note 28 Commitments

(a) Capital commitments

The Company has capital commitments at the end of the year contracted as follows:

	2020	2019
Investment in private equity fund	13,602,533	1,539,445

Note 29 Related party transactions

The following transactions were carried out with related parties.

(a) Purchase of services

	2020	2019
Chubb Asset Management, Inc	911,945	762,300

The services fee with Chubb Asset Management, Inc included the following:

- mainly 0.0175% (2019: 0.0175%) of the average market value of the assets as reported in the quarterly report to the Investment Committee of the Company
- amounts paid to State Street – Kansas City for Investment Account and Reporting services on behalf of the Company calculating based on 0.01% of the average market value of the assets as reported in the quarterly report to the Investment Committee of the Company
- certain fee for additional investment advisory services on a consulting and/or administrative support basis

Reinsurance treaty with Chubb Tempest Reinsurance Ltd.	50,400	54,130

(b) Other intercompany expenses

	2020	2019
Chubb Asia Pacific Services PTE Ltd.		
Computer services and other expense	80,000	80,000
Chubb Tempest Life Reinsurance Ltd.		
Loss in currency forward	(866,679)	61,983
Net interest income / (loss) from interest rate swap	2,097,560	(2,566,377)
	1,310,881	(2,424,394)

(c) Key management compensation

	2020	2019
Salary and other short-term employee benefits	2,881,745	2,712,463
Post-employment benefits	196,485	194,554
Termination benefits	19,315	34,655
Share-based payment	408,774	294,217
	3,506,319	3,235,889

(d) Year-end balances

Receivables from/(Payable to) related parties	2020	2019
Chubb Asia Pacific Services PTE Ltd. (Note 15)	100,453	(450)
Chubb Life Assurance, PLC (Note 8)	-	107,420
Chubb Life Insurance Company Ltd (Vietnam) (Note 8) (formerly known as "ACE Life Insurance Company Ltd (Vietnam)")	96,445	107,420
Chubb INA International Holdings Ltd (Note 8)	1,678,250	7,303,282

Chubb Limited (Note 8)	-	525,550
Chubb INA SVCS CRAWLEY DT CTR	(14,112)	-
Chubb Tempest Reinsurance Ltd.	(25,200)	(54,130)
Chubb American Insurance Co (Note 8)	27,606	326
Chubb Life Insurance Company Ltd (Taiwan) (Note 8)	-	35,408
CHUBB Life Korea	-	8,333
Chubb Indonesia Life (Note 8)	105,700	108,277
Chubb Asset Management Inc (Note 15)	(240,440)	(208,731)
Chubb INA Services UK Ltd.	(49,522)	-
Chubb Tempest Life Reinsurance Ltd. (Note 15)	(2,123,701)	(2,990,380)
	(444,521)	4,942,325

Derivative asset / (liabilities) placed in related party	**2020**	**2019**
Chubb Tempest Life Reinsurance Ltd. (Note 9)	53,907,881	(5,611,800)

Except for payable to Chubb Tempest Life Reinsurance Ltd., All the inter-company balances are unsecured, have no fixed terms of repayment and are interest-free.

The general credit term for the payable to Chubb Tempest Life Reinsurance Ltd. is 5 years after the date of settlement of derivative financial instruments. The payable is unsecured in nature and bear no interest.

Effective from 31 December 2011, the Company signed a subordinated loan agreement with Chubb Tempest Life Reinsurance Ltd. that Chubb Tempest Life Reinsurance Ltd. would make available subordinated loan to the Company for a loan or a series of loans in aggregate principle amount of US$15,000,000 upon request by the Company. As of 31 December 2020, the Company has no request on the subordinated loan.

Note 30 Revenue financial statements and profit or loss account disclosure required under the Hong Kong Insurance Ordinance

30.1 REVENUE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

	31 DECEMBER 2020				31 DECEMBER 2019			
(in US Dollars)	Life & annuity	Permanent health	Linked long-term	Total	Life & annuity	Permanent health	Linked long-term	Total
Revenues								
Gross premium written direct								
New policies - Single	11,764,234	-	3,236,806	15,001,040	18,173,523	-	1,839,915	20,013,438
- Regular	31,967,346	(248)	266,460	32,233,558	58,517,643	-	202,540	58,720,183
Renewal policies - Regular	331,960,423	227,535	27,468,852	359,656,810	316,011,586	220,411	30,385,378	346,617,375
Total premium	375,692,003	227,287	30,972,118	406,891,408	392,702,752	220,411	32,427,833	425,350,996
Reinsurance premiums ceded								
New policies - Regular	(669,850)	(1,942)	(192,665)	(864,457)	212,877	(2,562)	(319,485)	(109,170)
Renewal policies - Regular	(19,812,457)	(135,709)	(1,315,871)	(21,264,037)	(18,386,138)	(134,859)	(1,345,026)	(19,866,023)
Total reinsurance premium ceded	(20,482,307)	(137,651)	(1,508,536)	(22,128,494)	(18,173,261)	(137,421)	(1,664,511)	(19,975,193)
Net premium income	355,209,696	89,636	29,463,582	384,762,914	374,529,491	82,990	30,763,322	405,375,803
Decrease in unearned revenue reserve related to management of investment contracts	(25,184)		314,866	289,682	(584,579)	-	(2,624,175)	(3,208,754)
Net investment income - Available-for-sale								
Dividend income on equity funds	1,873,954	-	-	1,873,954	987,022	-	7,358	994,380
Interest income								
Listed fixed interest bonds	46,257,045	7,875	222,288	46,487,208	10,785,074	-	20,522	10,805,596
Listed variable interest bonds	622,316	-	-	622,316	134,427	-	255	134,682
Unlisted fixed interest bonds	36,702,638	-	-	36,702,638	69,093,092	-	131,473	69,224,565
Unlisted variable interest bonds	606,856	-	-	606,856	996,513	-	1,896	998,409
Government fixed interest bonds	7,264,426	-	-	7,264,426	6,568,611	-	12,499	6,581,110
Derivatives	2,200,091	-	-	2,200,091	(2,330,076)	-	(4,445)	(2,334,521)
Net amortization of premium								
Listed fixed interest bonds	(618,940)	-	-	(618,940)	(81,505)	-	(155)	(81,660)
Listed variable interest bonds	(25,503)	-	-	(25,503)	(694)	-	(1)	(695)
Unlisted fixed interest bonds	(2,152,537)	-	-	(2,152,537)	(1,833,323)	-	(3,489)	(1,836,812)
Unlisted variable interest bonds	(11,423)	-	-	(11,423)	(67,416)	-	(128)	(67,544)
Government fixed interest bonds	(168,885)	-	-	(168,885)	(132,634)	-	(252)	(132,886)

	31 DECEMBER 2020				31 DECEMBER 2019			
	Life & annuity	**Permanent health**	**Linked long-term**	**Total**	**Life & annuity**	**Permanent health**	**Linked long-term**	**Total**
Net investment income – Held-to-Maturity								
Interest income								
Listed fixed interest bonds	26,833,921	-	-	26,833,921	7,238,882	-	13,775	7,252,657
Listed variable interest bonds	332,969	-	-	332,969	-	-	-	-
Unlisted fixed interest bonds	9,244,903	-	-	9,244,903	21,140,763	-	40,228	21,180,991
Unlisted variable interest bonds	-	-	-	-	299,413	-	570	299,983
Government fixed interest bonds	1,469,924	-	-	1,469,924	1,198,242	-	2,280	1,200,522
Net amortization of premium								
Listed fixed interest bonds	(144,252)	-	-	(144,252)	(267,047)	-	(508)	(267,555)
Listed variable interest bonds	(23,441)	-	-	(23,441)	-	-	-	-
Unlisted fixed interest bonds	(484,166)	-	-	(484,166)	(577,444)	-	(1,099)	(578,543)
Unlisted variable interest bonds	-	-	-	-	(39,669)		(75)	(39,744)
Government fixed interest bonds	(24,653)	-	-	(24,653)	(34,654)	-	(66)	(34,720)
Fair value net gains/(losses) (excluding net realized gains/(losses):								
Designated at fair value through								
profit or loss upon initial recognition	117,052,577	-	-	117,052,577	2,825,096	-	44,030,199	46,855,295
Total net investment income	246,807,820	7,875	222,288	247,037,983	115,902,673	-	44,250,837	160,153,510
Policy loan interest income	4,184,181	-	-	4,184,181	4,000,767	-	7,613	4,008,380
Cash and cash equivalents interest income	80,286	-	-	80,286	341,630	-	650	342,280
Net realized (loss)/gain on investment	(16,947,944)	-	57,094,483	40,146,539	3,471,877	-	492,998	3,964,875
	234,124,343	7,875	57,316,771	291,448,989	123,716,947	-	44,752,098	168,469,045
Other income	(2,826,717)	11	7,494,616	4,667,910	1,659,978	23	7,658,640	9,318,641
Total revenue	**586,482,138**	**97,522**	**94,589,835**	**681,169,495**	**499,321,837**	**83,013**	**80,549,885**	**579,954,735**
Expenses								
Increase/(decrease) in long term business reserves								
Long term business reserves	559,617,205	2,961	244,566	559,864,732	485,077,277	(4,686)	(175,136)	484,897,455
Recoverable from reinsurers	(39,476)	177	23,008	(16,291)	1,990,159	5,562	197,168	2,192,889
	559,577,729	3,138	267,574	559,848,441	487,067,436	876	22,032	487,090,344
Other policyholder benefits								
Surrenders	74,504,401	-	82,933	74,587,334	83,195,138	-	51,437	83,246,575
Dividends to policyholders	15,561,574	-	-	15,561,574	15,448,368	-	-	15,448,368
	90,065,975	-	82,933	90,148,908	98,643,506	-	51,437	98,694,943

	31 DECEMBER 2020				31 DECEMBER 2019			
	Life & annuity	**Permanent health**	**Linked long-term**	**Total**	**Life & annuity**	**Permanent health**	**Linked long-term**	**Total**
Claims								
Death claims	12,618,519	-	685,954	13,304,473	12,766,248	-	730,555	13,496,803
Other claims	28,672,315	1,582	2,562,268	31,236,165	31,899,551	3,547	2,295,565	34,198,663
Total claims	41,290,834	1,582	3,248,222	44,540,638	44,665,799	3,547	3,026,120	47,695,466
Recoverable from reinsurers on death claims	(3,630,878)	-	(77,432)	(3,708,310)	(2,531,449)	-	(438,888)	(2,970,337)
Recoverable from reinsurers on other claims	(12,708,753)	-	(530,970)	(13,239,723)	(15,905,065)	-	(153,362)	(16,058,427)
Total claims recoverable from reinsurers	(16,339,631)	-	(608,402)	(16,948,033)	(18,436,514)	-	(592,250)	(19,028,764)
	24,951,203	1,582	2,639,820	27,592,605	26,229,285	3,547	2,433,870	28,666,702
Net policyholder account balance	11,468,291	-	81,801,731	93,270,022	12,127,350	-	69,396,222	81,523,572
(Increase)/Decrease in deferred acquisition cost related to investment contracts	(8,381)	-	1,338,340	1,329,959	(511,149)	-	(4,289,675)	(4,800,824)
Expenses for asset management services rendered	4,237,042	-	-	4,237,042	3,481,215	-	6,976	3,488,191
Commissions								
New policies								
Single	51,868	-	84,534	136,402	79,260	-	43,778	123,038
Regular	23,306,699	(263)	263,872	23,570,308	30,239,114	(128)	199,528	30,438,514
Renewal policies								
Regular	12,598,109	2,026	621,136	13,221,271	12,700,804	7,862	800,226	13,508,892
Total gross commissions	35,956,676	1,763	969,542	36,927,981	43,019,178	7,734	1,043,532	44,070,444
Reinsurance commission ceded								
New policies								
Regular	(153,736)	-	(243)	(153,979)	(174,152)	-	(365)	(174,517)
Renewal policies								
Regular	(108,986)	-	(8,590)	(117,576)	(81,998)	-	(9,958)	(91,956)
Total reinsurance commission ceded	(262,722)	-	(8,833)	(271,555)	(256,150)	-	(10,323)	(266,473)
Net commission	35,693,954	1,763	960,709	36,656,426	42,763,028	7,734	1,033,209	43,803,971

	31 DECEMBER 2020				31 DECEMBER 2019			
	Life & annuity	**Permanent health**	**Linked long-term**	**Total**	**Life & annuity**	**Permanent health**	**Linked long-term**	**Total**
Management expenses								
Staff costs	17,577,056	6,092	1,283,556	18,866,704	16,978,468	10,168	1,227,259	18,215,895
Occupancy	84,589	51	6,179	90,819	5,885,352	3,525	425,412	6,314,289
Sales and marketing	2,703,668	1,640	197,485	2,902,793	5,481,225	3,283	396,201	5,880,709
Depreciation	1,626,684	987	118,819	1,746,490	1,293,392	775	93,491	1,387,658
Auditor's remunerations	506,225	307	36,977	543,509	339,547	203	24,544	364,294
Directors' remuneration	797,196	484	58,230	855,910	781,602	468	56,497	838,567
Other expenses	9,140,729	5,544	667,671	9,813,944	4,543,752	2,721	328,437	4,874,910
	32,436,147	15,105	2,368,917	34,820,169	35,303,338	21,143	2,551,841	37,876,322
Total expenses	**758,421,960**	**21,587**	**89,460,024**	**847,903,571**	**705,104,009**	**33,300**	**71,205,912**	**776,343,221**
Underwriting (loss)/profit transferred to profit or loss account	**(171,939,822)**	**75,935**	**5,129,811**	**(166,734,076)**	**(205,782,172)**	**49,713**	**9,343,973**	**(196,388,486)**

Net investment gain and net realized gain of US$34,657,298 and US$38,243,023 respectively for the year were assigned by the Company as gain in Long-Term Business.

30.2 PROFIT OR LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER

(in US Dollars)	2020	2019
Underwriting (loss)/profit transferred from revenue account	(166,734,076)	(196,388,486)
Other expenses	(313,863)	(82,914)
(Loss)/profit before taxation	**(167,047,939)**	**(196,471,400)**
Taxation	(3,171,626)	(3,344,714)
(Loss)/profit after taxation	**(170,219,565)**	**(199,816,114)**
Accumulated losses brought forward	(256,644,896)	(56,828,782)
Accumulated losses carried forward	**(426,864,461)**	**(256,644,896)**

30.3 STATEMENT OF FINANCIAL POSITION

(in US Dollars)	31 DECEMBER 2020 Life & annuity	Permanent health	Linked long-term	Other than LT Business	Total	31 DECEMBER 2019 Life & annuity	Permanent health	Linked long-term	Other than LT Business	Total
Assets										
Fixed assets	-	-	-	5,200,774	5,200,774	-	-	-	3,262,491	3,262,491
Intangible assets	46,526	-	-	2,882,039	2,928,565	58,933	-	-	2,882,039	2,940,972
Right of use asset	-	-	-	5,635,619	5,635,619	-	-	-	11,528,675	11,528,675
Fixed interest securities	-	-	-	-	-	-				
Available for sale	-	-	-	-	-					
Government bonds - listed	73,644,950	-	-	-	73,644,950	3,980,989	-	-	-	3,980,989
Government bonds – unlisted	136,794,584	-	-	-	136,794,584	193,820,176	-	-	-	193,820,176
Corporate bonds – listed	1,299,190,937	251,883	5,301,927	-	1,304,744,748	140,102,073	-	-	-	140,102,073
Corporate bonds – unlisted	1,119,628,847	-	-	-	1,119,628,846	1,567,114,434	-	2,207,311	268,997,566	1,838,319,311
Held to maturity	-	-	-	-	-					
Government bonds – listed	1,197,803	-	-	-	1,197,803	-	-	-	-	-
Government bonds – unlisted	27,498,514	-	-	-	27,498,514	27,695,181	-	-	-	27,695,181
Corporate bonds – listed	482,204,620	-	-	-	482,204,620	175,102,378	-	-	-	175,102,378
Corporate bonds – unlisted	122,513,181	-	-	-	122,513,181	434,669,993	-	-	-	434,669,993
Variable interest securities	-	-	-	-	-					
Available for sale	-	-	-	-	-					
Corporate bonds – listed	6,142,406	-	-	-	6,142,406	-	-	-	-	-
Corporate bonds – unlisted	12,705,087	-	-	-	12,705,087	16,690,728	-	-	-	16,690,728
Held to Maturity	-	-	-	-	-					
Corporate bonds – unlisted	6,174,981	-	-	-	6,174,981	6,297,143	-	-	-	6,297,143
Corporate bonds – listed	-	-	-	-	-	-	-	-	-	-
Equity funds	-	-	-	-	-					
Available for sale	182,449,157	-	-	-	182,449,157	135,320,455	-	-	-	135,320,455
At fair value through profit or loss	2,507,357	-	-	-	2,507,357	3,391,036	-	-	-	3,391,036
Derivative assets	-	-	-	-	-	-	-	-	-	-
At fair value through profit or loss	53,907,881	-	-	-	53,907,881	-	-	-	-	-
Unit-linked funds	-	-	313,967,226	-	313,967,226	-	-	279,439,478	-	279,439,478
Policy loans - fully secured	59,436,977	-	-	-	59,436,977	59,576,905	-	-	-	59,576,905
Club debentures	-	-	-	164,225	164,225	-	-	-	163,037	163,037
Accrued investment income - unsecured	37,282,346	-	-	-	37,282,346	33,592,259	-	-	-	33,592,259

Premiums receivable - unsecured	11,908,008	6,653	162,805	-	12,077,466	8,163,226	3,673	168,962	-	8,335,861
Advances to agents	282,488	-	-	-	282,488	321,448	-	-	-	321,448
Reinsurance contracts	22,161,906	29,223	713,058	-	22,904,187	21,450,891	29,399	736,066	-	22,216,356
Accounts receivable under reinsurance contracts ceded	19,271,357	-	-	-	19,271,357	16,764,630	-	-	-	16,764,630
Amounts due from affiliates	-	-	-	2,008,453	2,008,453	-	-	-	8,196,017	8,196,017
Other receivables	4,798,092	-	-	19,955,346	24,753,438	4,153,043	-	-	19,708,365	23,861,408
Deferred acquisition costs related to management of investment contracts	1,364,070	-	9,260,317	-	10,624,387	1,355,689	-	10,598,657	-	11,954,346
Cash and cash equivalents	29,611,129	260,378	1,175,828	-	31,047,335	37,806,905	258,556	5,891,806	-	43,957,267
Taxation receivable	171,014	-	-	-	171,014	-	-	-	-	-
Intra Fund Transfer	(275,216,450)	(158,316)	7,927,600	267,447,166	-	-	-	-	-	-
Total assets	**3,437,677,768**	**389,821**	**338,508,761**	**303,293,622**	**4,079,869,972**	**2,887,428,515**	**291,628**	**299,042,280**	**314,738,190**	**3,501,500,613**
Liabilities and shareholder's equity										
Long term business reserves	2,642,425,517	23,030	4,621,045	-	2,647,069,592	2,142,963,117	24,733	3,910,213	-	2,146,898,063
Policyholder account balance	507,936,295	-	313,967,226	-	821,903,521	456,293,202	-	279,439,478	-	735,732,680
Dividend payable to policyholder	11,362,860	-	-	-	11,362,860	11,022,262	-	-	-	11,022,262
Dividend on deposits to policyholders	89,036,415	-	-	-	89,036,415	79,540,928	-	-	-	79,540,928
Policy contract claims	15,017,181	-	-	-	15,017,181	12,953,061	-	-	-	12,953,061
Premiums received in advance	3,018,824	-	-	-	3,018,824	3,275,797	-	-	-	3,275,797
Commissions payable – direct	7,227,132	-	-	-	7,227,132	9,776,474	-	-	-	9,776,474
Derivative liabilities	-	-	-	-	-					
At fair value through profit or loss	17,107,260	-	-	-	17,107,260	18,875,601	-	-	5,611,800	24,487,401
Amounts due under reinsurance contracts	15,714,933	-	-	-	15,714,933	12,028,334	-	-	-	12,028,334
Unearned revenue reserve related to management to investment contracts	2,256,014	-	3,337,047	-	5,593,061	1,646,251	-	4,236,492	-	5,882,743
Other creditors – unsecured	16,808,682	-	-	-	16,808,682	23,853,396	-	-	-	23,853,396
Taxation payable	-	-	-	-	-	3,486,105	-	-	-	3,486,105
Amounts due to fellow subsidiary	-	-	-	348,085	348,085	-	-	-	209,182	209,182
Lease Liability	-	-	-	5,810,495	5,810,495	-	-	-	11,705,584	11,705,584
Total liabilities	**3,327,911,113**	**23,030**	**321,925,318**	**6,158,580**	**3,656,018,041**	**2,775,714,528**	**24,733**	**287,586,183**	**17,526,566**	**3,080,852,010**
Fund surplus/Shareholder's equity	**109,766,655**	**366,791**	**16,583,443**	**297,135,042**	**423,851,931**	**111,713,987**	**266,895**	**11,456,097**	**297,211,624**	**420,648,603**
Total liabilities and fund surplus/ shareholder's equity	**3,437,677,768**	**389,821**	**338,508,761**	**303,293,622**	**4,079,869,972**	**2,887,428,515**	**291,628**	**299,042,280**	**314,738,190**	**3,501,500,613**