

China Life Insurance (Singapore) Pte. Ltd.

PUBLIC DISCLOSURE

For the Financial Year Ended
31 December 2019

Company Profile

We are a licensed insurer which is regulated by the Monetary Authority of Singapore. Established in 2015, we are part of China Life Insurance (Group) Company ("China Life") which is the largest financial insurance corporation in China and a Fortune Global 500 company, ranked 51 in 2019, for 17 consecutive years. It is an influential global brand with a brand value of over RMB 353.9 billion*.

Our parent company, China Life Insurance (Overseas) Company Limited ("China Life (Overseas)") is a wholly-owned subsidiary of China Life. It is a leading life insurance company in Hong Kong and Macau with an asset value of more than HKD416billion (December 2019) and its premium income exceeded HKD66 billion in 2019. Its financial rating by Moody's was "A1" (insurance financial strength rating in September 2019) and by Standard & Poor's was "A" (long-term local currency issuer credit rating and insurer financial strength rating in December 2019). China Life (Overseas) has extended its footprint in Southeast Asia region in recent years, and established subsidiaries in Singapore and Indonesia in 2015 and 2018 respectively.

We are a socially responsible company who believe in giving back to society through our corporate social responsibility activities to make a positive impact on the community and our customers. This resonates with the Belt and Road Initiative to increasingly engage our socio-business influence here.

*Source: "Top 500 Most Valuable Chinese Brands" 2019 by World Brand Lab

Business Strategy

We are committed to develop innovative products to meet our customers' protection, savings, retirement and legacy planning needs so that we can help them plan ahead to be protected financially and to make a difference in their lives as their trusted life insurance partner.

As part of the "Going out" advocacy, the Singapore office is well positioned as the satellite to expand our brand influence in Southeast Asia. Our business growth will be engineered through a three-pronged approach - products, sales and investment returns.

We also seek to build a talent pipeline which aligns with China Life Group's resource planning strategies to attract a global talent pool comprising young talents from established institutions (local and overseas) and also having experienced professionals to help us grow our capabilities as the company gears into higher growth and gears up for internationalisation.

Our Products and Distribution Overview

We adopt a customer-centric approach in our product design and strive to meet our

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China Life Insurance (Singapore) Pte. Ltd.

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customers' evolving needs at different life stages.

As at 31 December 2019, we have launched 16 products which cater mainly to the mass market segment.

In 2019, our mass market products consisted of participating endowment plans and a participating annuity plan, which are denominated in Singapore dollars (SGD). They are designed to meet customers' wealth accumulation needs and to serve their retirement funding needs with guaranteed cash payouts. These plans also allow customers to participate in the performance of our participating fund in the form of non-guaranteed bonuses.

More information on our products is available at <https://www.chinalife.com.sg/en>.

We will continue to develop innovative and relevant solutions to meet our customers' financial needs.

As at December 2019, we have 18 distribution partners – 2 banks and 11 financial advisory firms, as well as 5 international brokers to distribute our products to their customers.

Corporate Governance

As a licensed direct life insurer regulated under the Insurance Act, we are required to comply with applicable rules and regulations, including corporate governance, set out by the relevant authorities.

Good corporate governance is important to us as it safeguards our stakeholders' and policyholders' interests. Our Board of Directors ("Board") is responsible for the overall good governance and achieves this through the various governance committees and the senior management team.

There are 6 directors on our Board, including 2 who are independent non-executive directors. The Board plays a critical role in ensuring the success of our operations. The Board is responsible for:

- providing entrepreneurial leadership;
- setting our culture and values;
- overseeing investment management;
- reviewing the nominations for appointment of directors and key executives;
- recommending the remuneration framework;
- ensuring the adequacy of our risk management, external audit and internal audit functions;
- overseeing the establishment and operation of an independent risk management system; and
- reviewing the senior management team's performance.

The senior management team is responsible for the day-to-day operation of the business and is accountable for the business performance of the company to the Board. Information on our senior management team is available at <https://www.chinalife.com.sg/en/our-management-team>

Enterprise Risk Management

Our Enterprise Risk Management Framework (“Framework”) is aligned with our corporate strategy. It is a structured and consistent manner to managing risks to achieve business objectives, and ultimately create value for our stakeholders.

Our Framework encompasses three major components:

1. Risk Governance
2. Risk Management Approach
3. Risk Management Process

Risk Governance

Governance refers to the actions and processes by which authority is exercised, and decisions are made and implemented. Risk governance is the application of governance over the identification, assessment, mitigation, and monitoring and reporting of risks.

The Board is overall accountable for risk management and it delegates risk management responsibilities to the senior management team. It will also review the Framework to ensure that it is sound to safeguard the interests of all our stakeholders. Committees and workgroups are also established to manage specific risks that are associated with our business operations.

Risk Management Approach

We place great importance in cultivating a ‘risk astute’ culture so that risks are properly identified and managed within our risk appetite. We adopt the Three Lines of Defence Model in our approach.

1st Line

Business Units/ Operational Departments

- Involve in day to day management of relevant risks
- Implement internal controls to manage relevant risks
- Escalate material risks

2nd Line

Risk and Compliance

- Develop risk management framework
- Train and advise 1st Line, Senior Management and Board of Directors
- Monitor material risks

3rd Line

Internal and External Audit

- Review work performed by 1st and 2nd Lines
- Assess and evaluate the effectiveness, appropriateness and adequacy of existing policies, processes and controls

Risk Management Process

We have established a sound risk management process that is in line with international standards. It consists of the following stages: risk identification, assessment, mitigation, and monitoring and reporting.

Our Key Risks

We consider the following risks to be material as they can potentially affect how we conduct our business and create value:

- credit risk;
- market risk;
- liquidity risk;
- insurance risk;
- operational risk;
- reputational risk; and
- strategic risk.

Through our risk management process, the business units identify, address and report the foreseeable and relevant risks to a management-level committee every quarter.

The senior management team, which is responsible for the achievement of strategic goals, also plays an important role in identifying emerging risks from the ever-evolving business environment.

All foreseeable risks will be reported and addressed at the quarterly Risk Management Committee (“RMC”) meetings. The RMC evaluates the materiality of these risks and the corresponding mitigating measures, and subsequently provides updates to the Board.

In addition, we also undertake an annual Own Risk and Solvency Assessment (“ORSA”). Through the ORSA, we assess the adequacy and effectiveness of our Framework, and also our current and projected future solvency positions.

Asset-liability Management

We have an asset-liability management (“ALM”) process which takes in due consideration of our company’s risk tolerance level and other related constraints, when we formulate, implement, monitor and revise strategies to adequately manage our assets and liabilities to achieve our financial and business objectives.

We evaluate our assets and liabilities according to the rules that are set out under the Insurance (Valuation and Capital) Regulations 2004.

Detailed information on the maturity profile of our financial assets and liabilities is available in our annual financial statements.

Insurance Risk Exposures

Insurance risk relates to the inherent risks associated with the underwriting activities of life business. Such risks include pricing, reserving, underwriting and reinsurance risks. We have established appropriate guidelines and framework combined with authority limits as part of risk mitigation activities embedded in the business operations.

The principal risk that we face under our insurance contracts is that the actual claims and benefits payment exceed the carrying amount of the insurance liabilities. Our assumptions in determining the insurance liabilities are based on industry experiences, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions will be further evaluated on a periodic basis in order to ensure realistic and reasonable valuations. Details on key assumptions and sensitivity tests for insurance risk were performed to assess the impact to insurance liabilities which can be found in our annual financial statements.

Concentration of risk may arise where a particular event or a series of events impacts heavily upon our insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. We are exposed to geographical concentrations of risks as most of our contracts originate in Singapore.

Determination of Technical Provisions

Determination of technical provisions, including future cash flow assumptions, choice of discount rates and methodology, will affect the insurance liabilities at the end of the reporting period. Material judgement is required in determining the insurance liabilities and in the choice of assumptions.

Quantitative and qualitative information about the rationale and methodology on which we determine our technical provisions is available in our annual financial statements.

Capital Adequacy

Our source of funding is from our holding company.

Our objectives when managing capital are:

- to comply with the insurance capital requirements stipulated by the MAS;
- to safeguard our ability to continue as a going concern so that we can continue to protect policyholders; and
- to support our growth and expansion plans.

Under the Insurance (Valuation and Capital) Regulations 2004, licensed insurers are required to meet:

- the minimum fund solvency ratio of 100% of total risk requirement for each insurance fund; and
- the capital adequacy ratio ("CAR") of at least 120% of total risk requirement or SGD5,000,000, whichever is higher.

MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers. We monitor our capital level regularly to assess whether the prescribed MAS' requirements have been met. We also report to the MAS our CAR and fund solvency position quarterly and annually.

As at 31 December 2019, we had met the fund solvency requirements for our life insurance funds and the CAR prescribed by MAS. Our CAR is set out in our annual insurance returns which is available on the MAS website.

Pricing Adequacy

We have a product development and pricing policy which sets out our internal approval process for new products as well as our review process for existing products. The policy is in line with the requirements set out under MAS Notice 302 on Product Development and Pricing.

Investment Objectives

Our investment objectives are to protect our company's assets and to achieve investment returns to meet our stakeholders' expectations without taking on excessive risks.

Investment Policies and Processes

Our policies and processes are developed with reference to the prevailing MAS regulations and guidelines.

Our management-level investment committee exercises oversight on our investment portfolio, including monitoring investment performance and regularly reviewing our investment policy to ensure that it remains appropriate and relevant.

Our Board-approved investment policy establishes our overall investment framework, which prescribes the roles and responsibilities of the respective stakeholders, guiding principles, minimum standards of investing, monitoring and reporting requirements, investment approval authority and authority delegation limits.

We have also put in place a credit policy and an investment limits policy that govern the management of credit and concentration risks. These are intended to prevent excessive investment exposure to any particular geographical area, market, industry sector, counterparty, currency or credit rating.

Our standard operating procedures ensure that our investment activities are conducted in a manner that is consistent and compliant with our approved policies. Our standard operating procedures also cover the selection, approval, execution and monitoring processes of our investments; as well as the selection and appointment of our external fund managers.

Our Investments

Quantitative and qualitative information on our investment portfolio, how we determine the fair value of our investments and the level of sensitivity to market variables associated with our investments is set out in our annual financial statements.

Financial Performance

Our annual financial statements have been prepared in accordance with Singapore Financial Reporting Standards.

Quantitative and qualitative information on our financial performance, including our source of earnings, claims statistics and returns on investment assets, are set out in our annual insurance returns and annual financial statements. This information is available on the [Monetary Authority of Singapore](#) and the [Accounting and Corporate Regulatory Authority](#) websites respectively.