

**BERJAYA SOMPO INSURANCE BERHAD**  
**198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2021**

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

<b>Contents</b>	<b>Page</b>
Corporate Governance Statement	1 - 24
Directors' Report	25 - 28
Statement by Directors	29
Statutory Declaration	29
Independent Auditors' Report	30 - 33
Statements of Financial Position	34
Statements of Profit or Loss	35
Statements of Comprehensive Income	36
Statements of Changes in Equity	37 - 38
Statements of Cash Flows	39 - 40
Notes to the Financial Statements	41 - 128

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT**

The Board of Directors ("the Board") of Berjaya Sampo Insurance Berhad ("the Company") supports the Malaysian Code on Corporate Governance. The Board acknowledges the importance of good corporate governance in discharging their duties and responsibilities, ensuring the affairs of the Company are conducted with integrity and professionalism to safeguard the Company's assets and to enhance shareholders' value and financial performance of the Company.

As an insurance company licensed by the Minister of Finance on the recommendation of Bank Negara Malaysia ("BNM"), the Financial Services Act 2013 ("FSA 2013") empowers BNM to exercise oversight on insurers for the purpose of promoting financial soundness of a licensed person.

The Company complies with all the prescriptive requirements and adopted management practices that are consistent with the principles prescribed under the FSA 2013, the Companies Act 2016 ("CA 2016") and the Corporate Governance Policy Document ("CGPD") issued by BNM.

**The Board**

The Board is responsible for the overall governance of the Company by ensuring the strategic guidance, succession plan, internal control, risk management and reporting procedures are in place. The Board exercises due diligence and care in discharging their duties and responsibilities to ensure compliance with relevant laws, rules and regulations, directives and guidelines in addition to adopting best practices and act in the best interest of its shareholders.

**Board Charter**

The Board Charter sets out the Board's composition, roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles of corporate governance under the CGPD issued by BNM and also serves as a reference to all stakeholders. The Board regularly reviews their Charter to ensure that it remains consistent and relevant to the Board's objectives and responsibilities, and all regulations/laws in connection thereto.

**Composition of the Board**

The names of the Directors and Chief Executive Officer ("CEO") of the Company in office since the beginning of the financial year and appointed during the year to the date of this report are:

<b>Name</b>	<b>Designation</b>
Azhar Bin Mohamad	Independent Non-Executive Director/Chairman ("INED"/"Chairman")
Datuk Yong Bun Fou	Independent Non-Executive Director ("INED")
Ahmad Subri Bin Abdullah	Independent Non-Executive Director ("INED")
Tan Sri Dr. Ong Hong Peng	Independent Non-Executive Director ("INED")
Yasuhiro Sasanuma	Non-Independent Executive Director ("NIED")
Tan Chong Liong	Non-Independent Non-Executive Director ("NINED")
Dato' Loh Lye Ngok	Non-Independent Non-Executive Director ("NINED")
Tan Sek Kee	Chief Executive Officer ("CEO")

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

The Board comprises of four (4) Independent Non-Executive Directors ("INED"), two (2) Non-Independent Non-Executive Directors ("NINED") and one (1) Non-Independent Executive Director ("NIED").

### **Roles and Responsibilities of the Board**

The Board is overall responsible for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party and in compliance with applicable laws which includes the FSA 2013, CA 2016 and any guidelines, directives or policy documents issued by BNM as well as the Company's Memorandum and Articles of Association ("Constitution"). This includes consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public.

In fulfilling this role, the Board shall be responsible for, among others, the following:

- To approve the risk appetite, business plans and other initiatives which will, singularly or cumulatively, have a material impact on the Company's risk profile;
- To oversee the selection, performance, remuneration and succession plans of the CEO, control functions and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- To oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- To promote together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- To promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- To oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- To promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER**

The following are the current profile of the Directors and the CEO of the Company:

**AZHAR BIN MOHAMAD**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR/CHAIRMAN**

Azhar Bin Mohamad was appointed to the Board of the Company since 14 March 2013 and he is the Chairman of the Company since 7 October 2016. Presently, Azhar serves as a member of the Investment Committee, the Risk Management Committee and the Audit Committee of the Company.

Azhar holds a Bachelor's Degree in Accounting and Finance from the Lancaster University, United Kingdom, and a Master's Degree in Law (Business Law Executive) from the International Islamic University, Malaysia. He is a member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants. He also holds a Capital Markets Services Representative's License for advising on corporate finance matters from the Securities Commission Malaysia.

Azhar started his career in merchant banking and corporate planning. He subsequently joined the Securities Commission Malaysia, with his last position as Head of Securities Issues Department.

Trainings attended during the financial year

1. Rethinking our Approach to Cyber Defence in Financial institutions
2. Board Effectiveness Evaluation Industry Briefing (Session 1)
3. BNM Annual Report 2020, Economic & Monetary Review
4. BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contract: What Every Director Must Know
5. Unravelling SPACs in Asia Pacific
6. Anti-Corruption Training by Dr Mark Lovatt
7. BNM-FIDE Forum Dialogue: The role of Independent Director in embracing present and future challenges
8. BNM-FIDE Forum Dialogue: The future of Malaysia's Financial Sector
9. JC3 Flagship Conference 2021-Sustainability as Business Strategy for Financial Institution
10. BNM-FIDE Forum Dialogue on RMIT
11. Investment opportunities in post Covid-19 pandemic world
12. Creativity and innovation: Key to successful corporate transformation in Covid-19 era
13. BNM-FIDE Forum Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
14. Cybersecurity Training Awareness
15. Training on IFRS 17 & Briefing by Messrs Ernst & Young on Pulse Survey
16. Bursa-FIDE Forum Dialogue on Sustainability
17. SC-FIDE FORUM Dialogue on Capital Market Masterplan 3

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**DATUK YONG BUN FOU**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Datuk Yong Bun Fou was appointed to the Board of the Company since 9 June 2016. Presently, Datuk Yong serves as the Chairman of the Audit Committee of the Company. He also serves as a member of the Nominations Committee, the Remuneration Committee and the Investment Committee of the Company.

Datuk Yong holds a Bachelor's Degree (Hons) in Social Science (Econs) from the Universiti Sains Malaysia and Master's Degree in Economics from the Yamaguchi University, Japan.

Datuk Yong had served as the Assistant Secretary, Tax Analysis Division in the Ministry of Finance ("MOF") and rose to the rank of Deputy Secretary in 2012. He was then posted to the Ministry of Housing, Urban Wellbeing and Local Government as the Deputy Secretary General (Policy Department) where he ended his career in March 2015.

Trainings attended during the financial year

1. Board Effectiveness Evaluation Industry Briefing (Session 2)
2. BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contract: What Every Director Must Know
3. Anti-Corruption Training by Dr Mark Lovatt
4. BNM-FIDE Forum Dialogue: The role of Independent Directors
5. JC3 Flagship Conference 2021-Sustainability as Business Strategy for Financial Institution
6. BNM-FIDE Forum Dialogue on RMIT
7. The Board's role and responsibilities in Crisis Communication
8. Cybersecurity Training Awareness
9. Training on IFRS 17 & Brief by Messrs Ernst & Young on Pulse Survey
10. SC-FIDE FORUM Dialogue on Capital Market Masterplan 3
11. BNM-FIDE Forum: Dialogue with Governor of BNM

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**AHMAD SUBRI BIN ABDULLAH**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Ahmad Subri Bin Abdullah was appointed to the Board of the Company since 25 January 2017. Presently, Ahmad Subri serves as the Chairman of the Risk Management Committee of the Company. He also serves as a member of the Nominations Committee, the Remuneration Committee and the Audit Committee of the Company.

Ahmad Subri brings with him over 40 years of experience in the financial services industry; with almost 20 years as Chief Executive Officer of various insurance companies such as Amanah Insurance Berhad, Malaysia Cooperative Insurance Society Berhad, Mayban Life Assurance Berhad and Malaysia National Insurance Berhad. He had also served as Chairman of the General Insurance Association of Malaysia and Chairman of the Insurance Mediation Bureau of Malaysia.

Ahmad Subri is currently the Chief Executive Officer and Director of Pheim Islamic Asset Management Sdn Bhd.

Ahmad Subri qualified as a Fellow of the Chartered Insurance Institute, United Kingdom and is a Fellow of the Malaysian Insurance Institute ("MII"). Prior to his return to Malaysia in 1980, he was trained and worked in London for more than 7 years.

Currently Ahmad Subri sits on the Board of a number of private and public companies in Malaysia.

**Directorship in other companies**

1. Agensi Pekerjaan Globesoft Services Sdn Bhd
2. Gaushala Sdn Bhd
3. Timewaver SEA Sdn Bhd
4. Pheim Unit Trust Berhad
5. Pheim Asset Management Sdn Bhd
6. Pheim Islamic Asset Management Sdn Bhd
7. Malaysian Life Reinsurance Group Berhad
8. SBI Offshore Limited
9. Smithe Capital Pte Ltd

**Trainings attended during the financial year**

1. Board Effectiveness Evaluation Industry Briefing (Session 1 & 2)
2. VLT-General Overview of Insurance Fraud, Abuse, Leakage and Psychology of Fraudster
3. BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contract: What every Director must know
4. Anti-Corruption Training by Dr Mark Lovatt
5. BNM-FIDE Forum Dialogue: The Future of Malaysia's Financial Sector
6. Risk Management in Technology (RMiT) & Digital Transformation. What they mean for Governance and Strategy of Bank and Insurance Boards?
7. JC3 Flagship Conference 2021-Sustainability as Business Strategy for Financial Institution
8. BNM-FIDE Forum Dialogue on RMiT
9. AMLA, Anti-Corruption and Cybersecurity Training 2021
10. Cybersecurity Training Awareness
11. Training on IFRS 17 & Brief by Messrs Ernst & Young on Pulse Survey
12. Bursa-FIDE Forum Dialogue on Sustainability
13. BNM-FIDE Forum: Dialogue with the Governor of BNM

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**TAN SRI DR. ONG HONG PENG**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Tan Sri Dr. Ong Hong Peng was appointed to the Board of the Company since 17 July 2017. Presently, Tan Sri Dr. Ong serves as the Chairman of the Nominations Committee and the Remuneration Committee of the Company. He also serves as a member of the Risk Management Committee and the Investment Committee of the Company.

Tan Sri Dr. Ong's Board experience included Chairman of the National Academy of Arts, Culture and Heritage ("ASWARA"), Chairman and Board Member of Malaysia Convention and Exhibition Bureau ("MyCEB"), Board Member of Malaysia Tourism Promotion Board, Tioman Development Authority, Malaysia Agricultural Research and Development Institute ("MARDI"), and Small and Medium Industry Development Corporation ("SMIDEC"). In addition, he was a member of the Investment Panel, Retirement Fund Incorporated ("KWAP").

Tan Sri Dr. Ong holds a Bachelor's Degree in Social Science from the Universiti Sains Malaysia. Tan Sri Dr. Ong also holds a Master in Economics from the Hiroshima University, Japan and a Ph.D. in Economics from the Michigan State University, USA.

He started his career as Assistant Director of Public Service Department in 1981 and served in various capacities at the National Institute of Public Administration ("INTAN") and Economic Planning Unit ("EPU"). In 2008, he assumed the position of Secretary General, Ministry of Tourism and Culture for eight (8) years until his retirement in December 2016.

On the international front, he was the Chairman of UNWTO Commission for East Asia and the Pacific (2011-2013), Chair of Heads of ASEAN National Tourism Organisations Meeting (2014) and Chair of Senior Officials Committee for the ASEAN Socio-Cultural Community (2015).

At the national level, Tan Sri Dr. Ong was actively involved in the preparation of Third Outline Perspective Plan and Five-Year National Development Plans, particularly on Sectoral Strategies and Priorities, Finance, Tourism and Distributive Trade.

**Position in Industry Associations**

1. Advisor to Malaysian Association of Convention and Exhibition Organisers and Suppliers (MACEOS)
2. Advisor to Kuala Lumpur Tourism Association (KLTA)



**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**TAN SRI DR. ONG HONG PENG (CONT'D.)**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Trainings attended during the financial year

1. Rethinking our Approach to Cyber Defence in Financial Institutions
2. Collaboration In and Outside the Boardroom: Behaviour and Relationships
3. Realising the Value of Corporate Governance in ASEAN
4. Corporate Strategy Beyond Crisis
5. FIDE Forum's Board Effectiveness Evaluation Industry Briefing (Session 1)
6. Digital Transformation for Insurance - 6th Edition
7. BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contract: What Every Director Must Know
8. Anti-Corruption Training by Dr Mark Lovatt
9. BNM-FIDE Forum Dialogue: The role of Independent Directors
10. BNM-FIDE Forum Dialogue: The future of Malaysia's Financial Sector
11. NC & RC-Beyond Box-ticking & Enhancing Effectiveness
12. JC3 Flagship Conference 2021-Sustainability as Business Strategy for Financial Institution
13. BNM-FIDE Forum Dialogue on RMIT
14. The Board's role and responsibilities in Crisis Communication
15. FIDE Forum's Engagement Session on Board Leadership Framework (Session B)
16. BNM-FIDE Forum Dialogue: Risk-Based Capital Framework for Insurers & Takaful Operators
17. The Impact of Climate Change on Property Insurance
18. Cybersecurity Training Awareness
19. Training on IFRS 17 & Brief by Messrs Ernst & Young on Pulse Survey
20. Bursa-FIDE Forum Dialogue on Sustainability
21. The 2050 Net Zero Carbon Emissions Target
22. SC-FIDE FORUM Dialogue on Capital Market Masterplan 3
23. Annual Dialogue with Governor of Bank Negara Malaysia

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**YASUHIRO SASANUMA**  
**NON-INDEPENDENT EXECUTIVE DIRECTOR**

Yasuhiro Sasanuma was appointed to the Board of the Company on 4 October 2019. Presently, he serves as a member of the Nominations Committee and the Investment Committee of the Company.

Mr. Sasanuma holds a Bachelor's Degree in Economics from the Hokkaido University, Japan.

He is currently the Regional Chief Operating Officer at Sompo Holdings (Asia) Pte. Ltd. ("Sompo Holdings Asia") since April 2019 and he also double hatted as the Senior Executive Director.

Prior to his position as the Regional Chief Operating Officer, he was the Executive Director of Corporate Planning in Sompo Holdings Asia for 5 years. As the Regional Chief Operating Officer, he spearheads the daily operations, management and administrative activities of the Asian business entities, excluding Japan, to ensure sustainability across the region.

Prior to joining Sompo Holdings Asia, he had held various senior positions, such as Head of Secretary to the Sompo Group Chief Executive Officer. He has been with the Sompo Group since 1995.

**Directorship in other companies**

1. PGA Sompo Insurance Corporation
2. Universal Sompo General Insurance Company Limited
3. Sompo Insurance (Hong Kong) Company Limited
4. Aya Sompo Insurance Company Limited
5. Sompo Taiwan Brokers Company Limited
6. Sompo Holdings (Asia) Pte Ltd

**Trainings attended during the financial year**

1. How to Manage Through The Recovery of COVID-19 and Indonesia Recession by Risk Advisory & Performance Asia Consulting @ Indonesia
2. Leadership Role in Managing Risk by Risk Advisory & Performance Asia Consulting @ Indonesia
3. Workshop - The Power of The Positive: Influencing An Effective ERM Culture & Era and How We Determine Level of Our Risk Tolerance Accordingly by Risk Advisory & Performance Asia Consulting @ Indonesia
4. BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contract: What every Director must know
5. Online Orientation Program for Non-Executive Directors of General and Standalone Health Insurance Companies by National Insurance Academy @ India
6. Cybersecurity Training Awareness
7. Training on IFRS 17 & Brief by Messrs Ernst & Young on Pulse Survey

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**TAN CHONG LIONG**  
**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

Tan Chong Liong was appointed to the Board of the Company since 20 July 2017. Presently, Mr. Tan serves as the Chairman of the Investment Committee of the Company. He also serves as a member of the Remuneration Committee and the Risk Management Committee of the Company.

Mr. Tan holds a Bachelor's Degree in Accounting from the University of Malaya and Master's Degree in Business Administration in International Management from the Royal Melbourne Institute of Technology, Australia. He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA").

Mr. Tan has thirty (30) years of working experience and exposure in financial and strategic management across a range of sectors, including reinsurance, investment, telecommunications, broadcasting, films and TV content distribution, property and power. He has been living and working in Hong Kong, Singapore and Malaysia. Currently, he is a Director of an investment company focusing in start-ups in Fintech, eCommerce and IoT and he is actively involved in the development of Fintech eco-system in Malaysia. He is currently the Director and Co-founder of a digital investment management platform ([www.akrunow.com](http://www.akrunow.com)) licensed by the Securities Commission of Malaysia.

**Directorship in other companies**

1. Akru Now Sdn Bhd
2. True Happiness Capital Sdn Bhd
3. Ace Pursuit Sdn Bhd

**Trainings attended during the financial year**

1. CMDP: Module 1 Directors as Gatekeepers of Market Participants
2. CMDP: Module 2B Business Challenges and Regulatory Expectations
3. CMDP: Module 3 Risk Oversight and Compliance
4. CMDP: Module 4 Emerging and Current Regulatory Issues in the Capital Market
5. Board Effectiveness Evaluation Industry Briefing (Session 1 & 2)
6. BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contract: What Every Director Must Know
7. BNM-FIDE Forum Dialogue: The future Malaysia's Financial Sector
8. JC3 Flagship Conference 2021-Sustainability as Business Strategy for Financial Institution
9. BNM-FIDE Forum Dialogue on RMIT
10. BNM-FIDE Forum Dialogue: RBC Framework for Insurers and Takaful Operators
11. Cybersecurity Training Awareness
12. Training on IFRS 17 & Brief by Messrs Ernst & Young on Pulse Survey
13. Singapore Fintech Festival
14. SC-FIDE Forum Dialogue on Capital Market Plan 3
15. Annual Dialogue with Governor of Bank Negara Malaysia

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**DATO' LOH LYE NGOK**  
**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

Dato' Loh Lye Ngok was appointed to the Board since 25 May 2000. Presently, Dato' Loh serves as a member of the Nominations Committee, the Remuneration Committee, the Risk Management Committee and the Investment Committee.

Dato' Loh joined the Company in 1989. He was the Deputy General Manager from 1989 to 2000 prior to his appointment as the Chief Executive Officer from 2000 to 2017. Dato' Loh was appointed as the Executive Director from May 2017 to May 2018. Subsequently, Dato' Loh was the Senior Adviser of the Company from May 2018 to 1 April 2019. On 2 April 2019, Dato' Loh was appointed as a Non-Independent Non-Executive Director.

In his 28 years with the Company, Dato' Loh had positioned and built the Company into one of the leading general insurance providers in the Malaysian Insurance Industry. Notably, Dato' Loh initiated and led the strategic joint venture exercise between Sompo Japan Insurance Inc. and Berjaya Capital Berhad, which culminated in the formation of the Company.

Dato' Loh began his career in the insurance industry in 1976 with East West Insurance Berhad and had been with the company for 13 years. Dato' Loh became the first Malaysian to be appointed to manage East West Insurance (UK) Ltd in 1984.

**Directorship in other company**

1. Singapore Institute of Advanced Medicine Holdings Pte Ltd

**Trainings attended during the financial year**

1. Cybersecurity Training Awareness by CF Fong
2. Training on IFRS 17 & Briefing by Messrs Ernst & Young on Pulse Survey

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)**

**TAN SEK KEE**  
**CHIEF EXECUTIVE OFFICER**

Tan Sek Kee joined the Company on 1 January 2017 as Deputy Chief Executive Officer and was appointed as Chief Executive Officer since 15 March 2017.

He graduated from the London School of Economics with a Bachelor of Science majoring in Actuarial Science. He holds an Associateship with Malaysian Insurance Institute ("AMII") and also holds a Fellowship with Malaysian Insurance Institute ("FMII").

Prior to joining the Company, he was attached to AXA Affin General Insurance Berhad ("AXA") since 1995. During his tenure with AXA, he had held various senior management positions, the most recent one being Chief Distribution Officer. Prior to that he was the Chief Operating Officer.

Tan Sek Kee is a Board Member of ISM Insurance Services Malaysia Berhad since 9 December 2020. He is the Chairman of the Audit Committee of ISM Insurance Services Malaysia Berhad.

Trainings attended during the financial year

1. Executive Coaching
2. BNM Annual Report 2020, Economic & Monetary Review
3. JC3 Flagship Conference 2021-Sustainability as Business Strategy for Financial Institution
4. Engagement Session with General Insurance Companies and Takaful Operators on the Financial Sector Blueprint 2022-2026
5. Engagement between Minister of Finance & the Insurance and Takaful Industries
6. Climate Emergency, the Science, impact on Malaysia and Call to Action for General Industry

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

The Board had convened eight (8) meetings for the financial year ended 31 December 2021. The details of the Board of Directors membership and meetings held during the financial year were as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Azhar Bin Mohamad (INED/Chairman)	8/8	100%
Datuk Yong Bun Fou (INED)	8/8	100%
Ahmad Subri Bin Abdullah (INED)	8/8	100%
Tan Sri Dr. Ong Hong Peng (INED)	8/8	100%
Yasuhiro Sasanuma (NIED)	8/8	100%
Tan Chong Liong (NINED)	8/8	100%
Dato' Loh Lye Ngok (NINED)	8/8	100%

**Board Committee**

The Board had established specialised Board Committees to assist the Board in execution of their duties. The Board Committees of the Company consists of the Audit Committee, the Risk Management Committee, the Nominations Committee, the Remuneration Committee and the Investment Committee.

**1. AUDIT COMMITTEE**

The Audit Committee ("AC") comprises of three (3) INEDs. A total of five (5) meetings were held during the financial year ended 31 December 2021. The details of the AC membership and meetings held during the financial year were as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Datuk Yong Bun Fou (Chairman)	5/5	100%
Azhar Bin Mohamad	5/5	100%
Ahmad Subri Bin Abdullah	5/5	100%

The principal duties and responsibilities of the AC are as follows:

- Support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;
- Reviewing and approving the audit scope, procedures and frequency;
- Reviewing key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
- Noting significant disagreements between the Head of Internal Audit and the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**1. AUDIT COMMITTEE (CONT'D.)**

- Establishing a mechanism to assess the performance and effectiveness of the internal audit function;
- Review and update the Board on any related party transactions that may arise within the Company; and
- Approve the provision of non-audit services by external auditors and ensure that the level of provision of non-audit services is compatible while maintaining auditor independence.

**2. RISK MANAGEMENT COMMITTEE**

The Risk Management Committee ("RMC") comprises of three (3) INEDs and two (2) NINEDs, where the Chairman is an INED. A total of seven (7) meetings were held during the financial year ended 31 December 2021. The details of the RMC membership and meetings held during the financial year were as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Ahmad Subri Bin Abdullah (Chairman)	7/7	100%
Azhar Bin Mohamad	7/7	100%
Tan Sri Dr. Ong Hong Peng	7/7	100%
Tan Chong Liong	7/7	100%
Dato' Loh Lye Ngok	7/7	100%

The principal duties and responsibilities of the RMC are as follows:

- To support the Board in discharging corporate governance responsibilities in risk management and compliance activities of the Company;
- To review, assess and recommend risk management strategies, risk tolerance levels, which include monitoring and assessing the results of capital management, stress testing and Internal Capital Adequacy Assessment Policy ("ICAAP") for Board's approval;
- To oversee the functions of the Risk Management Working Committee ("RMWC"), to ensure that:
  - The Company's risk management and compliance related frameworks and policies are adequately developed and effectively implemented; and
  - There is regular monitoring on the Company's risk appetite/exposure.
- To review and discuss risk management and compliance periodic reporting, related activities and mitigating action plans as necessary.

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**2. RISK MANAGEMENT COMMITTEE (CONT'D.)**

- To exercise oversight over product monitoring and management based on Product Owner's periodic reports on product experience, risks and remedial actions escalated from the RMWC as necessary;
- To assess and endorse the adequacy of the Business Continuity Management ("BCM") and planning and Disaster Recovery ("DR") policies and strategies and to review the BCM and DR post test results;
- To ensure that infrastructure, resources, and systems are in place for effective risk management and compliance activities;
- To review and provide oversight on regulatory requirements, internal compliance, any other compliance related activities;
- To consider and approve the appointment of professional external advisors/subject matters experts in areas required by the Committee and notify the Board on the appointment;
- To oversee the information technology matters including ex-ante risk assessments including Information Security Risk Assessment involving the requirements of BNM's Policy Document on Risk Management in Technology ("RMiT");
- To consider and approve of the use of cloud services for non-critical systems;
- To oversee the design and implementation of the operational risk management for the Company;
- To support the BOD in demonstrating the Company's commitment to the anti-corruption programme, by providing:
  - a) Oversight to ensure the Company:
    - i. practices the highest level of integrity and ethics;
    - ii. complies with applicable laws and regulatory requirements on anti-corruption;
    - iii. effectively manages the key corruption risks of the company; and
    - iv. provides assurance on the effectiveness of the anti-corruption programme.
  - b) Oversight of the corruption risk assessment;
  - c) Oversight of implementing and managing control measures for corruption prevention;
  - d) Oversight of the systematic review, monitoring and enforcement of the anti-corruption programme; and
  - e) Oversight of the training and communication regarding integrity and ethics.



**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**3. REMUNERATION COMMITTEE**

The Remuneration Committee ("RC") comprises of three (3) INEDs and two (2) NINEDs, and Chairman is an INED. A total of three (3) meetings were held during the financial year ended 31 December 2021. The details of the RC membership and meetings held during the financial year were as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Tan Sri Dr. Ong Hong Peng (Chairman)	3/3	100%
Ahmad Subri Bin Abdullah	3/3	100%
Datuk Yong Bun Fou Tan	3/3	100%
Tan Chong Liong	3/3	100%
Dato' Loh Lye Ngok	3/3	100%

The principal duties and responsibilities of the RC are as follows:

- Recommend a framework of remuneration for Directors, CEO and other members of Key Responsible Person (KRP) of the Company;
- Recommend specific remuneration packages of Directors, CEO and other members of KRP. This is to ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while being consistent with the prudent management of the Company's affairs;
- Support the Board in overseeing the design and operation of the Company's remuneration system as set out in the CGPD issued by BNM;
- Periodically review the remuneration of the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken; and
- To develop a Remuneration Policy ("RP") that is approved by the Board, and to be reviewed periodically and recommend to the Board for approval, including any material changes made to the Policy.

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**4. NOMINATIONS COMMITTEE**

The Nominations Committee ("NC") comprises of three (3) INEDs, one (1) NINED and one (1) NIED, and Chairman is an INED. A total of five (5) meetings were held during the financial year ended 31 December 2021. The details of the NC membership and meetings held during the financial year were as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Tan Sri Dr. Ong Hong Peng (Chairman)	5/5	100%
Ahmad Subri Bin Abdullah	5/5	100%
Datuk Yong Bun Fou	5/5	100%
Dato' Loh Lye Ngok	5/5	100%
Yasuhiro Sasanuma	5/5	100%

The principal duties and responsibilities of the NC are as follows:

- Establish the minimum requirement for the Board of Directors and the CEO to perform their responsibilities effectively;
- Review the Board structure, composition, mix, skills and core competencies required for the Board to discharge its duties effectively;
- Assess the effectiveness of the Board and Board Committees on annual basis;
- Consider and evaluate the appointment of new Directors and Directors to fill the seats on the Board Committees of the Company and to recommend candidates to the Board and BNM for appointment and reappointment or re-election;
- Appointment and evaluation of the CEO and other members of the Key Responsible Person (KRP) of the Company and conduct an annual evaluation for a holistic, fit and proper review;
- Ensure that all Directors undergo appropriate induction programmes and receive continuous training; and
- Oversee the succession planning of Director, CEO and other KRPs of the Company.

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**5. INVESTMENT COMMITTEE**

The Investment Committee ("IC") comprises of three (3) INEDs, two (2) NINEDs and one (1) NIED, and Chairman is a NINED. A total of four (4) meetings were held during the financial year ended 31 December 2021. The details of IC membership and meetings held during the financial year were as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Tan Chong Liong (Chairman)	4/4	100%
Azhar Bin Mohamad	4/4	100%
Datuk Yong Bun Fou	4/4	100%
Tan Sri Dr. Ong Hong Peng	4/4	100%
Dato' Loh Lye Ngok	4/4	100%
Yasuhiro Sasanuma	4/4	100%

The principal duties and responsibilities of the IC are as follows:

- Review and recommend the investment policy, investment strategies and strategic plan of the investment and divestment activities;
- Monitor the Company's investment to assess the appropriateness of the investment strategy and recommend changes to the Board as appropriate;
- Review the investment objectives and strategies of the Company and its core businesses;
- Report to the Board at regular intervals on investment performance in comparison to relevant benchmarks (either directly or via investment experts);
- Ensure that investment activities are carried out in accordance with the strategy and related asset allocation limits;
- Consider the appointment of external investment managers and associated investment fees;
- Consider and if appropriate, approve any specific investments in excess of asset allocation limits, subject to scope agreed with the Board, and prohibiting other classes of investment (for example on ethical ground);
- To promote appropriate credit management, asset and liabilities matching management, liquidity and investment returns to the best interest of the Company; and
- To review and monitor the risk exposure of the investment portfolio and recommend the appropriate risk tolerance limit to the Board.

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

**Risk Management Governance and Framework**

- **Risk Management Committee ("RMC")**

RMC is a non-executive committee, chaired by an Independent Non-Executive Director which oversees management's activities in managing the Company's Tier 1 Risks and to ensure that risk management, compliance and information technology processes and procedures are in place and functioning effectively.

- **Risk Management Working Committee ("RMWC")**

The roles and responsibilities of RMWC, which is chaired by the Chief Risk Officer ("CRO"), provides the essential platform to assist the RMC in making informed decisions on financial and non-financial risks, and the Committee provides effective oversight on the risk exposures across the Company.

- **Risk Management Department**

The Risk Management Department as the "second line of defence" is responsible for assisting the Board, RMC, RMWC and Management in developing and maintaining the Enterprise Risk Management ("ERM") Framework by establishing Risk Management policies and methodologies, including defining roles and responsibilities, performing independent risk assessment and independent validation, assisting the Board in fulfilling its corporate governance responsibilities, and in implementing risk-based capital framework and monitoring of capital adequacy level.

- **Audit Committee ("AC")**

The AC is responsible to assist the Board in ensuring that there is a reliable and transparent financial reporting process. The AC is responsible for the effective performance of the Internal Audit function where the AC reviews and reports to the Board of Directors on all audit reports, approves the internal audit plans and transmits to the Management such instructions as it deems necessary for the implementation of appropriate internal controls. The AC is guided by its Charter, approved by the Board, in discharging its roles and responsibilities.

- **Internal Audit Department ("IAD")**

The IAD of the Company is established to provide independent and objective assurance to the AC, the Board and the Management that policies, procedures and operations that the Management has put in place for risk management, control and governance are adequate, operating effectively and efficiently and are in compliance with applicable laws and regulations.

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)**

IAD's main role is to provide timely, independent and impartial advice as to whether activities reviewed are:

- a) in accordance with the Company's policies, guidelines and procedures;
- b) in compliance with the rules and regulations and other prescribed laws and regulations set by BNM, PIAM and other regulatory bodies; and
- c) achieving the desired results efficiently, effectively and economically.

IAD maintains independence of the activities it reviews at all times. Specifically, Internal Audit teams may not review areas where they were responsible for the design or operation of the area. IAD works closely with the Management to effectively discharge their responsibilities and provide line management with analysis, appraisals, recommendations and information concerning the activities that were reviewed which are under their control.

**Other Key Elements of Risk Management and Internal Control**

- **Organisational Structure & Management Accountability**

The Company has an organisational structure with clearly defined lines of responsibility, authority limits and accountability in-line with business and operational requirements. Various management committees are established to assist in managing the day-to-day operations for developed tactical strategies, ensure activities are carried out in accordance with the objective, and/or strategies as approved by the Board.

- **Policies and Procedures**

Policies and procedures, which incorporate regulatory, internal policies requirements and control systems are prescribed in the standard form of circulars to line management in all departments and are updated on a yearly basis or as and when necessary.

- **Corporate Independence**

The Company complies with the Guidelines on Related Party Transaction issued by BNM. Necessary disclosures have been made to the Board as and when required, prior Board's approval has been obtained. All material related party transactions have been disclosed in Note 26 to the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)**

**Other Key Elements of Risk Management and Internal Control (Cont'd.)**

- **Financial Reporting**

The Company maintains proper accounting records and the financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS"), the requirements of the CA 2016, FSA 2013 and relevant Guidelines/Circulars issued by BNM.

- **Approving Authority Limits**

There are operational approving authority limits imposed on the CEO and the management within the Company in respect of day-to-day operation in underwriting, claims, investments, operating expenditure and capital expenditure.

- **Stress Testing**

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under adverse yet plausible events. The stress test results together with the mitigating plans are tabled at least annually or from time to time as specified by BNM for the Board's deliberation and recommendation.

- **Executive Committee ("EXCO")**

The EXCO meetings chaired by the CEO are conducted on a monthly basis to review business development, financial performance and deliberate strategies, other management and corporate related matters.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

**KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)**

**Other Key Elements of Risk Management and Internal Control (Cont'd.)**

- **Investment Working Committee ("IWC")**

The roles and responsibilities of IWC, which is chaired by the CEO are as follows:

- a. to assist the IC in setting the investment policy;
- b. to ensure the investment activities of the Company are conducted in accordance with the investment policy and in line with Risk-Based Capital Framework ("RBC"); and
- c. to manage the Company's investment assets and propose strategic recommendations to the IC to achieve/improve the Company's targeted investment returns.

- **Information Technology Steering Committee ("ITSC")**

The ITSC is chaired by the Chief Operating Officer ("COO"). The committee is responsible for formulating the overall IT strategy, authorising IT related budget and expenditures, and monitoring overall efficiency, performance and effectiveness of IT services.

- **Business Continuity Management Committee ("BCMC")**

The BCMC comprises the members of the RMWC and is responsible to effectively implement the BCM policy and strategies set out by the Board.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

### **REMUNERATION POLICY**

#### **Objectives**

The Company aims to be the preferred employer for its employees. To achieve that, the Company has established a Remuneration Policy that is fair and effectively attracts, motivates and retains talents. The Remuneration Policy will be one of the main drivers for the Company to achieve its goals and objectives.

#### **Pillars of Remuneration Policy**

The Remuneration Policy is driven by 2 pillars:

1. Rate for the job whereby all jobs are rated and paid based on job complexity, skills required, job size, etc., which allow employees to enjoy pay equity.
2. Merit based which is a fair and impartial basis to pay and reward employees.

#### **Staff Performance Management System**

The reward system is linked closely to the Company's Staff Performance Management System ("PMS"). The system uses two (2) metrics of measurements, namely i) Key Performance Indicators ("KPIs") which measures performances based on agreed targets and ii) competencies which refer to individual skill sets.

#### **Strategic Orientation**

The Remuneration Policy applies to all levels of employees in the Company. When establishing the Remuneration Policy, the Company takes into account of industry or peers' practices, laws and regulations. The Remuneration Policy safeguards the long-term financial stability and value creation of the Company and is aligned with the Company's risk management principles and practices.

#### **Review of Remuneration Policy**

The establishment of the Remuneration Policy, with inputs from the senior management has been assessed by the Remuneration Committee before recommendation to the Board for approval. The Board plays an active oversight role to ensure that the Remuneration Policy forms a key component of the Company's governance and incentive structure which allows the Company to operate effectively to achieve its goals.

The Board also reviews the Remuneration Policy on a periodic basis to ensure that any material changes to the Remuneration Policy are in line with the CGPD issued by BNM.



**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

### **REMUNERATION POLICY (CONT'D.)**

#### **Composition of Remuneration**

The composition of remuneration consists of three (3) elements, namely Salary and Salary Increments, Performance Bonus and Other Benefits.

#### **1. Salary and Salary Increment**

Salary will be determined through rating of a job or in other words, a valuation of the position. The job is evaluated in terms of job size, job skills, job complexity and etc., which are rated against the market by making reference to market salary survey.

Salary increments are provided on the premise of future improved work deliveries of the individual staff, taking into account economic inflation and value-gained by each individual staff as they progress in their career. The amount of salary increment will be based on the individual's performance and the Company's profitability and affordability.

The Company will decide the average salary increment percentage to be paid out every year based on the same methodology set out in the performance bonus reward. The payment of salary increment will be at the discretion of the Company.

#### **2. Performance Bonus**

Bonus is paid to reward individual staff on the past year's work performance of the individual as well as the Company's overall performance. The bonus payment is not guaranteed, and if declared by the Company shall be based on the Company's and individual employee's performance. Payment of bonus shall be at the sole discretion of the Company.

The Company will distribute bonus based on the overall performance of the Company benchmarked against the general insurance industry through reputable market remuneration survey.

#### **3. Other Benefits**

Other monetary and non-monetary benefits are provided under the Company's Human Resource Policy.

#### **Claw Back and Deferred Performance Bonus**

In consideration of the time horizon of risks and taking into account the potential for financial risks to crystallise over a longer period of time, the Company has adopted a claw back and deferred bonus framework for the Company's Key Responsible Persons ("KRPs").

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

## **CORPORATE GOVERNANCE STATEMENT (CONT'D.)**

### **REMUNERATION POLICY (CONT'D.)**

#### **Control Functions**

Control Functions' performances are assessed by the management and reviewed by the Board. Any compensation proposed by management for the Control Functions are also reviewed and approved by the Board. These measures are taken to ensure that Control Functions personnel are compensated independently of the businesses they oversee.

#### **Key Responsible Persons**

The remuneration process includes strict adherence to regulatory requirement and active oversight by the Board whereby the remuneration of the CEO and other material risk takers, ie. KRPs are reviewed and approved by the Remuneration Committee and Board annually. The Committee maintains and regularly reviews the list of senior management team who fall within the definition of "other material risk takers".

The list of KRPs is as below:-

- |  |   |
|--|---|
| 1. Chief Executive Officer ("CEO")         | 7. Chief Risk Officer ("CRO")             |
| 2. Deputy Chief Executive Officer ("DCEO") | 8. Head of Internal Audit                 |
| 3. Chief Distribution Officer ("CDO")      | 9. Head of Compliance                     |
| 4. Chief Financial Officer ("CFO")         | 10. Appointed Actuary                     |
| 5. Chief Operating Officer ("COO")         | 11. Company Secretary                     |
| 6. Chief Human Resources Officer ("CHRO")  | 12. Senior Manager - Information Security |

The remuneration of the KRPs for the current financial year is shown in the table below:

Total value of remuneration awards for the financial year	KRPs	
	Unrestricted (RM)	Deferred (RM)
<b>Fixed Remuneration</b>		
Cash-Based	5,261,692.93	-
Shares and share-linked instruments	-	-
Other	-	-
<b>Variable Remuneration</b>		
Cash-Based	1,578,912.65	185,579.00
Shares and share-linked instruments	-	-
Other	-	-

The breakdown of the total remuneration for CEO, DCEO and Directors for the financial year is disclosed in Note 23 - Directors' fees and allowances.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Berjaya Somp Insurance Berhad and its subsidiaries ("the Group") and separate financial statements of Berjaya Somp Insurance Berhad ("the Company") for the financial year ended 31 December 2021.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is the underwriting of general insurance business. As a result of applying MFRS 10 Consolidated Financial Statements, the financial statements of the subsidiaries are consolidated to the Group financial statements. The subsidiaries consist of two wholesale funds.

The principal activities of the controlled investees are investments in fixed income instruments and are disclosed in Note 7(e).

There have been no significant changes in the principal activities of the Group and the Company during the financial year.

**RESULTS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Net profit for the year	154,428	172,769
Profit attributable to:		
Equity holder of the Company	154,408	
Non-controlling interests	20	
	<u>154,428</u>	

There were no material transfers to or from reserves, allowances or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDEND**

The amount of dividend paid by the Group and the Company since 31 December 2020 was as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2020, a final single-tier tax exempt dividend of 51 sen per share on 118,000,000 ordinary shares	<u>60,180</u>

The final dividend was paid on 1 July 2021.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONT'D.)**

**DIRECTORS OF THE COMPANY**

The Directors of the Company in office who served since the beginning of the year to date of this report were as follows:

<b>Name</b>	<b>Designation</b>
Azhar Bin Mohamad	INED/Chairman
Datuk Yong Bun Fou	INED
Ahmad Subri Bin Abdullah	INED
Tan Sri Dr. Ong Hong Peng	INED
Yasuhiro Sasanuma	NIED
Tan Chong Liong	NINED
Dato' Loh Lye Ngok	NINED

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, or the options over the unissued shares of the holding Company and other related companies granted to certain Directors.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 23 and Note 26 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

**DIRECTORS' INTERESTS**

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**DIRECTORS' INDEMNIFICATION**

The Group and the Company have maintained a Directors' and Officers' Liability ("D&O") Insurance up to an aggregate limit of RM76.72 million with premium expenses of approximately RM10,265 against any legal liability incurred by the Directors and Officers in discharging their duties while holding office in the Company. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONT'D.)**

**OTHER STATUTORY INFORMATION**

1. Before the Statements of Financial Position, Statements of Profit or Loss and Statements of Comprehensive Income of the Group and the Company were made out, the Directors took reasonable steps:
  - a. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and
  - b. to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
2. At the date of this report, the Directors are not aware of any circumstances which would render:
  - a. the amount written off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
  - b. the values attributed to the current assets in the financial statements of the Group and the Company misleading.
3. At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.
4. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.
5. As at the date of this report, there does not exist:
  - a. any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - b. any contingent liability of the Group and the Company which has arisen since the end of the financial year.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONT'D.)**

**OTHER STATUTORY INFORMATION (CONT'D.)**

6. In the opinion of the Directors:

- a. no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet its obligations as and when they fall due; and
- b. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

For the purpose of paragraphs (5)(b) and (6)(a), contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and the Company.

7. Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC") for Insurers issued by BNM.

**AUDITORS AND AUDITORS' REMUNERATION**

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 March 2022.



Azhar Bin Mohamad



Datuk Yong Bun Fou

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Azhar Bin Mohamad and Datuk Yong Bun Fou, being two of the directors of Berjaya Sampo Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and of their financial performance and cash flows for the year ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 March 2022.



Azhar Bin Mohamad



Datuk Yong Bun Fou

**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016**

I, Tan Sek Kee, being the officer primarily responsible for the financial management of Berjaya Sampo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

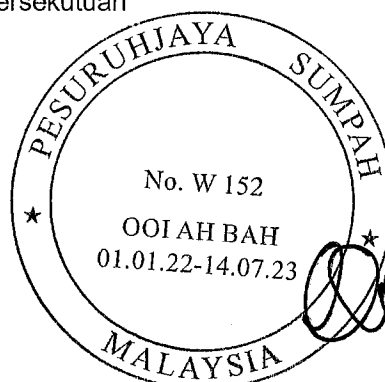
Subscribed and solemnly declared by  
the abovenamed Tan Sek Kee,  
at Kuala Lumpur in Wilayah Persekutuan  
on

17 MAR 2022

Before me,



Tan Sek Kee



No. 48- 1st Floor  
Jalan Brunei Utara  
Off Changkat Thambi Dollah, Pudu,  
55100 Kuala Lumpur



**Building a better  
working world**

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
SST ID: W10-2002-32000062  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000  
Fax: +603 2095 5332 (General line)  
+603 2095 9076  
+603 2095 9078  
ey.com

198001008821 (62605-U)

**Independent auditors' report to the members of  
Berjaya Sampo Insurance Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Berjaya Sampo Insurance Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' 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 audit opinion.

*Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the Corporate Governance Statement and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.





Building a better  
working world

198001008821 (62605-U)

**Independent auditors' report to the members of  
Berjaya Sompō Insurance Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (Cont'd.)*

Our opinion on the financial statements of the Group and of the Company 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 of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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 the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

198001008821 (62605-U)

**Independent auditors' report to the members of  
Berjaya Sampo Insurance Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (Cont'd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 Group's and 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 Group's and 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 auditors' report to the related disclosures in the financial statements of the Group and of the Company, 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

198001008821 (62605-U)

Independent auditors' report to the members of  
Berjaya Sampo Insurance Berhad (cont'd.)  
(Incorporated in Malaysia)

*Auditors' responsibilities for the audit of the financial statements (Cont'd.)*

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.

*Report on other legal and regulatory requirements*

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditor, is disclosed in Note 7(e) to the financial statements.

*Other matters*

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
17 March 2022



Kannan A/L Rajagopal  
03490/03/2024 J  
Chartered Accountant

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

		<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>					
Property and equipment	3	87,488	89,295	87,488	89,295
Intangible assets	4	35,957	36,725	35,957	36,725
Investment properties	5	20,900	23,210	20,900	23,210
Right-of-use assets	6	626	1,030	626	1,030
Investments	7	1,952,996	1,870,720	2,001,919	1,892,782
Reinsurance assets	8	748,811	395,188	748,811	395,188
Insurance receivables	9	83,546	85,402	83,546	85,402
Other receivables	10	56,752	56,024	49,146	51,391
Deferred tax assets	11	11,831	2,418	11,926	-
Cash and cash equivalents	12	142,922	111,860	97,996	91,534
<b>TOTAL ASSETS</b>		<b>3,141,829</b>	<b>2,671,872</b>	<b>3,138,315</b>	<b>2,666,557</b>
<b>EQUITY</b>					
Share capital	13	118,000	118,000	118,000	118,000
Available-for-sale fair value reserve		11,277	39,432	10,979	53,088
Retained profits		961,294	867,066	961,686	849,097
<b>Equity attributable to owner of the Company</b>		<b>1,090,571</b>	<b>1,024,498</b>	<b>1,090,665</b>	<b>1,020,185</b>
Non-controlling interests		3,428	2,773	-	-
<b>TOTAL EQUITY</b>		<b>1,093,999</b>	<b>1,027,271</b>	<b>1,090,665</b>	<b>1,020,185</b>
<b>LIABILITIES</b>					
Insurance contract liabilities	14	1,831,905	1,460,344	1,831,905	1,460,344
Lease liabilities	6	627	1,025	627	1,025
Deferred tax liabilities	11	-	-	-	1,895
Tax payable		15,916	12,229	15,916	12,229
Insurance payables	15	79,775	55,334	79,775	55,334
Other payables	16	119,607	115,669	119,427	115,545
<b>TOTAL LIABILITIES</b>		<b>2,047,830</b>	<b>1,644,601</b>	<b>2,047,650</b>	<b>1,646,372</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,141,829</b>	<b>2,671,872</b>	<b>3,138,315</b>	<b>2,666,557</b>

The accompanying notes form an integral part of the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross earned premiums	17(a)	883,760	881,202	883,760	881,202
Earned premiums ceded to reinsurers	17(b)	(198,275)	(160,578)	(198,275)	(160,578)
<b>Net earned premiums</b>		<b>685,485</b>	<b>720,624</b>	<b>685,485</b>	<b>720,624</b>
Investment income	18	60,249	62,966	55,321	59,366
Net realised gains	19	5,054	3,785	3,974	821
Fair value losses	20	(24,658)	(1,950)	(1,816)	(8,514)
Commission income		47,630	37,362	47,630	37,362
Other operating income	21	6,682	6,529	6,682	6,529
<b>Other revenue</b>		<b>94,957</b>	<b>108,692</b>	<b>111,791</b>	<b>95,564</b>
Gross claims paid	22	(321,592)	(360,485)	(321,592)	(360,485)
Claims ceded to reinsurers	22	64,678	59,688	64,678	59,688
Gross change in contract liabilities	22	(354,093)	(124,580)	(354,093)	(124,580)
Change in contract liabilities ceded to reinsurers	22	342,118	45,912	342,118	45,912
<b>Net claims incurred</b>		<b>(268,889)</b>	<b>(379,465)</b>	<b>(268,889)</b>	<b>(379,465)</b>
Commission expenses		(109,843)	(102,113)	(109,843)	(102,113)
Management expenses	23	(213,408)	(212,200)	(211,901)	(211,248)
<b>Other expenses</b>		<b>(323,251)</b>	<b>(314,313)</b>	<b>(321,744)</b>	<b>(313,361)</b>
<b>Profit before tax</b>		<b>188,302</b>	<b>135,538</b>	<b>206,643</b>	<b>123,362</b>
Tax expense	24	(33,874)	(23,566)	(33,874)	(23,566)
<b>Net profit for the year</b>		<b>154,428</b>	<b>111,972</b>	<b>172,769</b>	<b>99,796</b>
<b>Earnings per share (sen)</b>					
- Basic and Diluted	25	130.9	94.9	146.4	84.6

The accompanying notes form an integral part of the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the year</b>		154,428	111,972	172,769	99,796
Other comprehensive income:					
Items that may be reclassified to profit or loss in subsequent periods:					
Available-for-sale fair value reserve:					
Net (losses)/gains on fair value changes		(33,600)	22,330	(51,962)	34,243
Net realised gains transferred to profit or loss	19	(3,445)	(682)	(3,445)	(682)
		(37,045)	21,648	(55,407)	33,561
Tax effects	11	8,890	(5,195)	13,298	(8,055)
		(28,155)	16,453	(42,109)	25,506
<b>Total comprehensive income for the year</b>		<b>126,273</b>	<b>128,425</b>	<b>130,660</b>	<b>125,302</b>
<b>Profit attributable to:</b>					
Equity holder of the Company		154,408	111,725	172,769	99,796
Non-controlling interests		20	247	-	-
		<b>154,428</b>	<b>111,972</b>	<b>172,769</b>	<b>99,796</b>
<b>Total comprehensive income attributable to:</b>					
Equity holder of the Company		126,253	128,178	130,660	125,302
Non-controlling interests		20	247	-	-
		<b>126,273</b>	<b>128,425</b>	<b>130,660</b>	<b>125,302</b>

The accompanying notes form an integral part of the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
Registration No: 198001008821 (62605-U)  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

Group	Attributable to the owner of the Group				
	Share capital RM'000	Non-distributable Available-for-sale fair value reserve RM'000	Distributable Retained profits RM'000	Total equity RM'000	Non- Controlling Interest RM'000
<b>At 1 January 2021</b>	<b>118,000</b>	<b>39,432</b>	<b>867,066</b>	<b>1,024,498</b>	<b>2,773</b>
Net creation of units in subsidiaries	-	-	-	-	635
Net profit for the year	-	-	154,408	154,408	20
Other comprehensive loss	-	(28,155)	-	(28,155)	-
Total comprehensive (loss)/income for the year	-	(28,155)	154,408	126,253	20
Dividend paid (Note 27)	-	-	(60,180)	(60,180)	-
<b>At 31 December 2021</b>	<b>118,000</b>	<b>11,277</b>	<b>961,294</b>	<b>1,090,571</b>	<b>3,428</b>
<b>At 1 January 2020</b>	<b>118,000</b>	<b>22,979</b>	<b>796,641</b>	<b>937,620</b>	<b>422</b>
Net creation of units in subsidiaries	-	-	-	-	2,104
Net profit for the year	-	-	111,725	111,725	247
Other comprehensive income	-	16,453	-	16,453	-
Total comprehensive income for the year	-	16,453	111,725	128,178	247
Dividend paid (Note 27)	-	-	(41,300)	(41,300)	-
<b>At 31 December 2020</b>	<b>118,000</b>	<b>39,432</b>	<b>867,066</b>	<b>1,024,498</b>	<b>2,773</b>
				<b>1,027,271</b>	<b>1,027,271</b>

The accompanying notes form an integral part of the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Attributable to the owner of the Company			
	Share capital RM'000	Non-distributable Available-for-sale fair value reserve RM'000	Distributable Retained profits RM'000	Total equity RM'000
<b>Company</b>				
<b>At 1 January 2021</b>	<b>118,000</b>	<b>53,088</b>	<b>849,097</b>	<b>1,020,185</b>
Net profit for the year	-	-	172,769	172,769
Other comprehensive loss	-	(42,109)	-	(42,109)
Total comprehensive (loss)/income for the year	-	(42,109)	172,769	130,660
Dividend paid (Note 27)	-	-	(60,180)	(60,180)
<b>At 31 December 2021</b>	<b>118,000</b>	<b>10,979</b>	<b>961,686</b>	<b>1,090,665</b>
<b>At 1 January 2020</b>	<b>118,000</b>	<b>27,582</b>	<b>790,601</b>	<b>936,183</b>
Net profit for the year	-	-	99,796	99,796
Other comprehensive income	-	25,506	-	25,506
Total comprehensive income for the year	-	25,506	99,796	125,302
Dividend paid (Note 27)	-	-	(41,300)	(41,300)
<b>At 31 December 2020</b>	<b>118,000</b>	<b>53,088</b>	<b>849,097</b>	<b>1,020,185</b>

The accompanying notes form an integral part of the financial statements.



**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Operating activities</u></b>					
Profit before tax		188,302	135,538	206,643	123,362
Adjustment for :					
Investment income	18	(62,970)	(64,721)	(55,322)	(59,369)
Amortisation of premium	18	2,721	1,755	1	3
Sundry income	21	(6,690)	(6,769)	(6,690)	(6,769)
Net realised gains on AFS investments	19	(3,445)	(682)	(3,445)	(682)
Gain on disposal of property and equipment	19	(128)	(139)	(128)	(139)
Gain on disposal of FVTPL financial assets	19	(1,080)	(2,964)	-	-
Gain on disposal of HTM financial assets	19	(401)	-	(401)	-
Fair value loss/(gain) on FVTPL financial assets recorded in profit or loss	20	22,842	(6,564)	-	-
Fair value loss on investment properties	20	1,816	720	1,816	720
(Write back of)/allowance of impairment on:					
Investments	20	-	7,794	-	7,794
Insurance receivables	23	(3,460)	48	(3,460)	48
Property and equipment written off	23	106	1	106	1
Bad debts written off	23	634	914	634	914
Depreciation of property and equipment	23	5,082	5,210	5,082	5,210
Depreciation of right-of-use assets	23	403	451	403	451
Lease interest expenses	23	28	45	28	45
Lease termination		(7)	9	(7)	9
Adjustment/rent concessions	6	(9)	(27)	(9)	(27)
Adjustment on intangible assets	4	1,014	-	1,014	-
Amortisation of intangible assets	23	8,375	6,223	8,375	6,223
Operating cash flows before working capital changes		153,133	76,842	154,640	77,794
Decrease in insurance receivables		4,682	8,812	4,682	8,812
Decrease in other assets		8,953	11,224	8,953	12,050
Increase in reinsurance assets		(353,623)	(49,795)	(353,623)	(49,795)
Increase in insurance contract liabilities		371,561	100,508	371,561	100,508
Increase/(decrease) in insurance payables		24,441	(11,816)	24,441	(11,816)
Increase in other liabilities		3,937	18,054	3,882	18,036
		59,951	76,987	59,896	77,795
Dividend/distribution income received		33,060	41,134	52,191	53,013
Interest income received		26,550	22,815	2,744	5,584
Rental income received		369	772	369	772
Income tax paid		(30,710)	(22,220)	(30,710)	(22,220)
Net cash flows generated from operating activities		242,353	196,330	239,130	192,738

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
<b><u>Investing activities</u></b>					
Purchase of property and equipment	3	(3,408)	(1,219)	(3,408)	(1,219)
Purchase of intangible assets	4	(8,621)	(14,907)	(8,621)	(14,907)
Proceeds from sale of property and equipment		155	139	155	139
Proceeds from sale of investment property		494	-	494	-
Withdrawals/(placements) of fixed deposits		119,280	(71,939)	119,280	(71,939)
Purchase of financial assets		(924,204)	(299,933)	(785,001)	(173,934)
Proceeds from sale of financial assets		684,098	197,594	505,022	56,291
Net cash flows used in investing activities		<u>(132,206)</u>	<u>(190,265)</u>	<u>(172,079)</u>	<u>(205,569)</u>
<b><u>Financing activities</u></b>					
Dividend paid	27	(60,180)	(41,300)	(60,180)	(41,300)
Cash proceeds from units created		3,102	3,638	-	-
Payment for cancellation of units		(11,775)	(1,305)	-	-
Distributions paid		(9,823)	(11,905)	-	-
Payment of lease liabilities	6	(409)	(421)	(409)	(421)
Net cash flows used in financing activities		<u>(79,085)</u>	<u>(51,293)</u>	<u>(60,589)</u>	<u>(41,721)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		31,062	(45,228)	6,462	(54,552)
<b>Cash and cash equivalents at beginning of the year</b>	12	<u>111,860</u>	<u>157,088</u>	<u>91,534</u>	<u>146,086</u>
<b>Cash and cash equivalents at end of year</b>	12	<u>142,922</u>	<u>111,860</u>	<u>97,996</u>	<u>91,534</u>

The accompanying notes form an integral part of the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at 1-38-1 & 1-38-2, Menara Bangkok Bank, Laman Sentral Berjaya, No 105, Jalan Ampang, 50450, Kuala Lumpur.

The immediate holding company is Sampo Holdings (Asia) Pte Ltd, which is incorporated in Singapore. The ultimate holding company is Sampo Holdings, Inc which is incorporated in Japan and listed on the Tokyo Stock Exchange.

The principal activity of the Company is the underwriting of general insurance business. The principal activities of the subsidiaries, which are wholesale unit trust funds, are as disclosed in Note 7(e). There has been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 March 2022.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 ("CA 2016") in Malaysia.

The financial statements of the Group and the Company have also been prepared on a historical cost basis, unless otherwise stated in the summary of significant accounting policies.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework ("RBC") as at the reporting date.

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the Statements of Profit or Loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and the Company.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.1 BASIS OF PREPARATION (CONT'D.)**

The consolidated financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM"), and all values are rounded to the nearest thousand (RM'000) except when indicated otherwise.

### **2.2 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date are prepared in conformity with MFRS 10. The results and financial position of the subsidiaries used in the preparation of the consolidated financial statements have prepared by the respective unit trust funds managers. Consistent accounting policies are applied for like transactions and events of similar circumstances.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

- (a) the investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and other comprehensive income are attributed to the equity holders of the company and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2021, the Group and the Company adopted the following amendments for annual periods beginning on or after 1 January 2021 and 1 April 2021.

<b>Description</b>	<b>Effective for annual financial periods beginning on or after</b>
• Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Interest Rate Benchmark Reform Phase 2	1 January 2021
• Amendments to MFRS 16 Leases - Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021

The adoption of the new pronouncements above during the year did not result in any material financial impact to the financial statements.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Property and equipment**

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statements of Profit or Loss during the financial year in which they incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(e).

Work-in-progress is not depreciated until such time that it is ready for its intended use. Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life for current and comparative periods, at the following annual rates:

Land and buildings	2%
Furniture and fittings	10%
Office equipment	10%
Computers	20%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the Statements of Profit or Loss.

#### **(b) Intangible assets**

The intangible assets of the Group and the Company consist of computer software and golf club memberships. These intangible assets, which were acquired separately, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(b) Intangible assets (Cont'd.)**

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at each reporting date. The amortisation is charged to the Statements of Profit or Loss.

Computer software licenses acquired separately are capitalised on the basis of the costs incurred to acquire and bring the asset to its intended use. These costs are amortised over their estimated useful lives of 5 years.

Costs that are directly associated with knowledge based software and computer applications which are unique to the requirements of the insurance business are recognised as intangible assets. These software and applications are expected to generate economic benefits beyond one year. Direct attributable costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use. These costs are recognised as assets and amortised over their estimated useful lives of 5 to 10 years.

The golf club memberships are considered as infinite life intangible assets. The useful life of an intangible asset with an infinite useful life is reviewed annually to determine whether there is any impairment losses to be recognised and whether the infinite life assessment continues to be supportable.

#### **(c) Leases**

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. Leases arise when the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

For a change in lease payments, it depends on whether that change meets the definition of a lease modification. A lease modification is when the payment of the lease changes either on a temporary or permanent basis.

If a rent concession results from a lease modification, the Group and the Company account for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Group and the Company account for the rent concession as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(c) Leases (Cont'd.)**

##### **The Group and the Company as lessees**

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### **(i) Right-of-use assets**

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property	2 to 7 years
Equipment	2 to 4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(e) for impairment of non-financial assets.

##### **(ii) Lease liabilities**

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under agreed residual value. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(c) Leases (Cont'd.)**

##### **(ii) Lease Liabilities (Cont'd.)**

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

##### **(iii) Short-term leases and leases of low-value assets**

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### **The Group and the Company as lessors**

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(d) Investment properties**

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair values of investment properties are revalued at regular intervals of at least once in every three years and with additional valuation in the intervening years to ensure that the carrying amount does not differ materially from the fair value of the properties at the financial year end reporting date. The Board determines the policies and procedures for recurring and non-recurring fair value measurement and takes responsibility in the selection of independent valuers.

Any gains or losses arising from the changes in fair value of investment properties are recognised in Statements of Profit or Loss in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to self-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied properties to investment properties, the property is accounted for in accordance with the accounting policy for property and equipment set out in Note 2.4(a) up to the date of change in use. Where the fair value of the property exceeds its carrying amount. A revaluation surplus or deficit is recognised in the Statements of Profit or Loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statements of Profit or Loss in the year in which they arise.

#### **(e) Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(e) Impairment of non-financial assets (Cont'd.)**

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the Statements of Profit or Loss in the year in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years.

Reversal of impairment loss for an asset is recognised in the Statements of Profit or Loss.

#### **(f) Financial instruments**

Financial instruments are recognised in the Statements of Financial Position when the Group and the Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets and financial liabilities in accordance with the substance of the contractual arrangements. Interests, dividends, gains and losses relating to a financial instrument classified as a financial asset or financial liability are reported as expense or income.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(f) Financial instruments (Cont'd.)**

The Group and the Company categorise and measure financial instruments as follows:

##### **(i) Financial assets**

Financial assets are recognised initially at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification as follows:

##### **Financial assets at fair value through profit or loss ("FVTPL")**

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets classified as held for trading are derivatives or financial assets acquired principally for the purpose of selling in the near term.

Financial assets designated upon initial recognition as FVTPL are designated at their initial recognition date and only if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising the gains or losses on different basis; or
- the assets and liabilities are part of the group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value.

Any gains and losses arising from changes in fair value are recognised in Statements of Profit or Loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in the Statements of Profit or Loss as part of other expenses or other income and investment income respectively.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(f) Financial instruments (Cont'd.)**

##### **(i) Financial assets (Cont'd.)**

FVTPL includes Malaysian Government Securities and Corporate Bonds as described in Note 7(a).

##### **Held-to-maturity ("HTM") financial assets**

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Company management have the positive intention and ability to hold to maturity are classified as HTM financial assets. These financial assets are carried at amortised cost using the effective interest method, less any impairment loss. Gains or losses are recognised in the Statements of Profit or Loss when the investments are derecognised or impaired, as well as through the amortisation process.

HTM includes Corporate Bonds as described in Note 7(b).

##### **Loans and receivables ("LAR")**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as classified as LAR. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, such financial assets are carried at amortised cost using the effective interest method less accumulated impairment losses.

LAR includes insurance receivables, and deposits with financial institutions with original maturity of more than 3 months. For the accounting policies with respect to insurance receivables, refer to Note 2.4(l).

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(f) Financial instruments (Cont'd.)**

##### **(i) Financial assets (Cont'd.)**

###### **Available-for-sale ("AFS") financial assets**

Non-derivative financial assets that are not classified in any of the three preceding categories are designated as AFS financial assets. After initial measurement, AFS financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in other comprehensive income, or if the asset is determined to be impaired, the cumulative loss recorded in equity is recognised in the Statements of Profit or Loss.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

AFS includes Equities and Unit Trust Funds as described in Note 7(d).

##### **(ii) Financial liabilities**

Insurance and other payables are classified as other financial liabilities and recognised initially at fair value of the consideration to be paid in the future for goods and services received.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### **(g) Fair value measurement**

The Group and the Company measure certain assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(g) Fair value measurement (Cont'd.)**

The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group and the Company use valuation techniques that are appropriate in the circumstances for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- |         |   |  |
|---------|---|--|
| Level 1 | - | Quoted (unadjusted) market prices in active markets for identical assets or liabilities.   |
| Level 2 | - | Valuation techniques for which all input that is significant to the fair value measurement is directly or indirectly observable. |
| Level 3 | - | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.         |

The fair value of the investment properties of the Group and the Company are categorised as Level 3. The investment properties being valued are compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transaction used for comparison.

For assets and liabilities that are recognised in the financial statements on recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(h) Impairment of financial assets**

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### **Financial assets carried at amortised cost**

If there is an objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The carrying amount of the assets is reduced and the loss is recorded in the Statements of Profit or Loss.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

Any subsequent reversal of impairment losses are made through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the Statements of Profit or Loss.

#### **AFS financial assets**

When assessing the impairment of equity instruments, the Group and the Company consider, in addition to observable data about loss events, whether there is a significant or prolonged decline in the fair value of equity investments, and whether the cost of investment in equity instruments may be recovered. When there is evidence that the cost of investment in equity instruments may not be recovered, an impairment loss is recognised.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(h) Impairment of financial assets (Cont'd.)**

##### **AFS financial assets (Cont'd.)**

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to Statements of Profit or Loss.

Impairment losses on AFS equity instruments are not reversed in the Statements of Profit or Loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

##### **Unquoted equity securities carried at cost**

If there is an objective evidence that an impairment loss on unquoted equity securities carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

#### **(i) Derecognition of financial instruments**

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains and losses that had been recognised in other comprehensive income are recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. The recognition of the new liability and the difference in the respective carrying amounts is recognised in the Statements of Profit or Loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(j) Equity instruments**

Ordinary shares are classified as equity in the Statements of Financial Position.

Ordinary shares are recorded at the time when proceeds are received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by the Company's shareholders. Dividends are deducted from equity when they are paid.

Dividends for the year that are approved after balance sheet date are dealt with as an event after the balance sheet date.

#### **(k) Investment in subsidiaries**

The consolidated financial statements are prepared if control is achieved when the Group and the Company have power over the investee is exposed, or have rights, to variable returns from its involvement with the investee and have the ability to use its power to affect its returns. The Group and the Company reassess at each reporting date that it control these investees on factor mentioned in Note 2.2.

In the separate financial statements, investments in subsidiaries are carried at fair value, being the net asset value of the wholesale unit trust funds. Subsequently, investments in subsidiaries are measured in accordance with the requirements of MFRS 139, as further elaborated in Note 2.4(f). Upon disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

#### **(l) Insurance receivables**

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective interest method.

Receivables are assessed at each reporting date on whether there is objective evidence of impairment as a result of one or more events that would have impact on the estimated future cash flow of the asset.

If there is objective evidence that the insurance receivable is impaired, the Group and the Company reduce the carrying amount of the insurance receivables accordingly and recognise an impairment loss in the Statements of Profit or Loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(l) Insurance receivables (Cont'd.)**

Insurance receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

##### **Write-off**

The gross carrying amount of the insurance receivable is written off when the Group and the Company have no reasonable expectations of recovering of the amount in its entirety or a portion thereof. An impairment loss is reversed when the gross carrying amount does not exists. Any subsequent recoveries are credited to profit and loss.

#### **(m) Reinsurance**

The Group and the Company cede insurance risk in the normal course of business for all businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision associated with the reinsurers' policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group and the Company from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment is recognised when there is an objective evidence as a result of an event that occurs after initial recognition of the reinsurance assets that the Group and the Company may not receive all outstanding amounts due under the terms of the reinsurance contract and the event has a reliably measurable impact on the amounts that the Group and the Company will receive from reinsurer. The impairment loss is recorded in the Statements of Profit or Loss.

Premium and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business.

Amount due to reinsurers and ceding companies are estimated in a manner consistent with the related reinsurance contract.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(m) Reinsurance (Cont'd.)**

Reinsurance assets or amount due to reinsurers and ceding companies are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

#### **(n) Product classification**

The Group and the Company currently only issue contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and the Company (the insurer) have accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group and the Company determine whether it has significant insurance risk by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expired.

When insurance contracts contain both financial risk component and significant insurance risk component, the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premium relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element accounted for as a deposit through the Statements of Financial Position similar to investment contracts. Investment contracts are those contracts that do not transfer significant insurance risk.

#### **(o) General insurance underwriting results**

The general insurance underwriting results, are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(o) General insurance underwriting results (Cont'd.)**

##### **(i) Premium Income**

Premiums are recognised in a financial year in respect of the risks assumed during that particular financial year. Premiums in respect of risks inception for which debit notes or policies have not been raised as of the date of the Statements of Financial Position are accrued at that date as pipeline premiums.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

##### **(ii) Premium liabilities**

Premium liabilities represent the future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the unexpired risk reserves ("URR") at the end of the financial year and provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

##### **Unexpired risk reserves**

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year. It also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

URR is determined based on valuation performed by the Appointed Actuary.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(o) General insurance underwriting results (Cont'd.)**

##### **(ii) Premium liabilities (Cont'd.)**

###### **Unearned premium reserves**

UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual liability is used, as follows:

- 25% method for marine cargo, aviation and transit business;
- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical	10 - 15%
Other classes	25%
- Non-annual policies are time apportioned over the period of the risks.

##### **(iii) Claims Incurred**

Claims include all claims occurred during the financial year, whether reported or not and related external claims handling cost that are directly related to the processing and settlement of claim.

##### **(iv) Claim liabilities**

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. The value is the best estimate value of claim liabilities which include provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall Company level as prescribed by BNM. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged, or cancelled.

Claim liabilities are determined based on a valuation performed by the Appointed Actuary.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(o) General insurance underwriting results (Cont'd.)**

##### **(v) Commission and Agency Expenses**

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to Statements of Profit or Loss in the period in which they incurred.

#### **(p) General insurance contract liabilities**

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities, as described in Note 2.4(o), (ii) and (iv).

#### **(q) Contingent liabilities and contingent assets**

The Group and the Company do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise a contingent asset but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

#### **(r) Revenue from contract with customers**

Revenue is recognised when the Group and the Company satisfy a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when (or as) the Group and the Company control of the goods or services is transferred to the customer. Control can be defined as the ability to direct the use of an asset and to obtain substantially all of the remaining benefits from the asset. Control also includes the ability to prevent another entity from directing the use of and obtaining the benefits from an asset.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**(r) Revenue from contract with customers (Cont'd.)**

For each separate performance obligation, the Group and the Company will need to determine whether the performance obligation is satisfied by transferring the control of goods or services over time. If the performance obligation is not satisfied over time, then it is satisfied at a point of time. When (or as) a performance obligation is satisfied, the Group and the Company shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained, that is allocated to that performance obligation).

**(s) Other revenue recognition**

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the other revenue can be reliably measured.

The following specific recognition criteria must also be met before other revenue is recognised:

**(i) Interest income**

Interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

**(ii) Dividend income**

Dividend income is recognised on a declared basis when the right to receive payment is established.

**(iii) Rental income**

Rental income is recognised on an accrual basis in accordance with the terms of the relevant agreements except where a default in the payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental is recognised on a receipt basis until all arrears have been paid.

**(t) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.



**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**(t) Income tax (Cont'd.)**

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from the initial recognition of an asset or liability which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the Statements of Profit or Loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

**(u) Earning per share ("EPS")**

The Group and the Company present basic EPS data for its ordinary shares.

Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

**(v) Employee benefits**

**(i) Short-term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **(v) Employee benefits (Cont'd.)**

##### **(ii) Defined contribution plan**

As required by law, the Group and the Company make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the Statements of Profit or Loss as incurred.

#### **(w) Foreign currencies**

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each reporting date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the Statements of Profit or Loss. The currencies giving rise to these differences are primarily United States Dollar (USD) and Singapore Dollar (SGD).

#### **(x) Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and deposits held at call with financial institutions with original maturity of 3 months or less. It excludes deposits which are held for investment purposes.

### **2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

#### **(a) Critical judgements made in applying accounting policies**

The following are the judgements made by management in the process of applying the Group and the Company accounting policies that have the most significant effects on the amounts recognised in the financial statements.

##### **(i) Classification between investment property and self-occupied property**

The Group and the Company have developed certain criteria based on MFRS 140 Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)**

**(a) Critical judgements made in applying accounting policies (Cont'd.)**

**(i) Classification between investment property and self-occupied property (Cont'd.)**

If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

**(ii) Impairment of AFS investments**

The determination of what is a "significant" or "prolonged" decline in fair value requires judgement. In making this judgement, the Group and the Company evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Group and the Company have no further impairment on quoted equity instruments. The total amount recognised in respect of impairment at 31 December 2021 is RM nil (2020: 7,794,093) as disclosed in Note 20.

**(iii) Deferred tax assets**

Deferred tax assets are recognised for provisions for impairment of investments, other provisions and premium liabilities to the extent that it is probable that taxable profit will be available against which these provisions and liabilities can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies. At 31 December 2021, deferred tax assets recognised by the Group and the Company amounted to RM26,938,229 (2020: RM24,073,692) as disclosed in Note 11.

**(iv) Impairment of insurance receivables**

The Group and the Company assess at the end of each reporting date, for any objective evidence of impairment of its financial assets. An insurance receivable is considered as individually impaired if the counterparty is in the process of liquidation, absconded, having significant financial difficulty or legal actions have been taken to recover the outstanding balance.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)**

#### **(a) Critical judgements made in applying accounting policies (Cont'd.)**

##### **(iv) Impairment of insurance receivables (Cont'd.)**

The Group and the Company also provide for allowance for impairment for potential defaults of credit terms and irrecoverability via a collective assessment. No collateral is held as security for any past due or impaired assets. Where evidence exists that a receivable is impaired, the Group and the Company will recognise the impairment loss in the Statements of Profit or Loss. The total amount of impairment loss recognised in respect of insurance receivables at 31 December 2021 amounted to RM2,000,206 (2020: RM5,460,217) as disclosed in Note 9.

##### **(v) Provision for financial penalty**

The management has considered a provision of RM8,088,367 in relation to the financial penalty arising from the notice from the Malaysia Competition Commission ("MYCC") as disclosed in Note 34 to the financial statements.

#### **(b) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **(i) Uncertainty in accounting estimates for general insurance business**

The principal uncertainty in the Group and the Company's general insurance business arises from the technical provisions which include the provisions of premium and claim liabilities as described in Note 2.4(o), (ii) and (iv). The premium liabilities comprise the higher of UPR or URR while claim liabilities comprise outstanding claims case estimates, IBNER and IBNR claims.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is all past experiences with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Group and the Company's projections. The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Group and the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)**

**(b) Key sources of estimation uncertainty (Cont'd.)**

**(i) Uncertainty in accounting estimates for general insurance business (Cont'd.)**

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, the estimates are assessed for adequacy by an Appointed Actuary and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuary is approved by BNM.

Note 29(b) provides sensitivity analysis of the effects of changes in key assumptions on the insurance contract liabilities of the Group and the Company including the consequential effects on profit or loss and equity.

**(ii) Claim Liabilities - Case Estimates**

For claims, reserve is established upon notification of a new claim where the potential liability will be assessed based on information available at the time. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with Risk-Based Capital Framework issued by Bank Negara Malaysia. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

**(iii) Pipeline premium**

For pipeline premium, an estimate is made of the expected unprocessed premium at the end of the reporting period. The pipeline premium is estimated by using the Company's historical trends of unprocessed premiums in relation to each financial year.

Historical trends are further analysed by months, business lines and product type. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated pipeline premium that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Pipeline premiums recognised as at 31 December 2021 amounted to approximately RM3,413,109 (2020: RM994,000).

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

#### **Standards and Amendments to Standards that are issued but not yet effective**

The standards and amendments/improvements to standards that are issued but not yet effective up to the date of issuance of the Group and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

<b>Description</b>	<b>Effective for annual financial periods beginning on or after</b>
• Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018–2020"	1 January 2022
• Amendments to MFRS 3 Business Combinations - Reference to the Conceptual Framework	1 January 2022
• Amendments to MFRS 116 Property, Plant and Equipment - Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
• Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022
• MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts	1 January 2023
• Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
• Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies	1 January 2023
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Distribution of Assets between an Investor and its Associate or Joint Venture	to be determined by MASB

The initial application of the abovementioned standards and amendments/ improvements to standards are not expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:

#### **MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts**

MFRS 17 and Amendments to MFRS 17 are effective for reporting periods beginning on or after 1 January 2023. MFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supercedes MFRS 4 Insurance Contracts.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)**

#### **MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts (Cont'd.)**

The Group and the Company plan to adopt the new standard on the required effective date together with MFRS 9. The Group and the Company expect that the new standard and proposed amendments thereon may result in an important change to the accounting policies for insurance contract assets and liabilities of the Group and the Company is and likely to have a significant impact on the results and total equity together with the Group and the Company's financial statements presentation and disclosures. A Project Steering Committee has been formed to oversee the implementation of MFRS 17 and the committee is currently working closely with the external consultant in assessing the financial and other implications that may arise during the implementation of MFRS 17.

MFRS 17 outlines a general measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy option to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

MFRS 17 aligns the presentation of revenue with other industries whereby revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

**3. PROPERTY AND EQUIPMENT**

<b>Group and Company</b>	<b>Land and Buildings* RM'000</b>	<b>Computers RM'000</b>	<b>Motor Vehicles RM'000</b>	<b>Office Equipment RM'000</b>	<b>Furniture and Fittings RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>						
At 1 January 2021	90,185	17,894	2,190	2,231	14,423	126,923
Additions	-	1,840	1,253	12	303	3,408
Reclassification (Note 4)	-	178	-	-	-	178
Disposals	-	(237)	(563)	(26)	(76)	(902)
Write-offs	-	(113)	-	(113)	(415)	(641)
At 31 December 2021	90,185	19,562	2,880	2,104	14,235	128,966
<b>Accumulated depreciation</b>						
At 1 January 2021	11,149	15,353	1,549	1,647	7,930	37,628
Charge for the year	1,805	1,533	433	132	1,179	5,082
Reclassification	-	178	-	-	-	178
Disposals	-	(236)	(563)	(18)	(58)	(875)
Write-offs	-	(110)	-	(86)	(339)	(535)
At 31 December 2021	12,954	16,718	1,419	1,675	8,712	41,478
<b>Net carrying amount</b>						
At 31 December 2021	77,231	2,844	1,461	429	5,523	87,488



**3. PROPERTY AND EQUIPMENT (CONT'D.)**

<b>Group and Company</b>	<b>Land and Buildings* RM'000</b>	<b>Computers RM'000</b>	<b>Motor Vehicles RM'000</b>	<b>Office Equipment RM'000</b>	<b>Furniture and Fittings RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>						
At 1 January 2020	90,185	17,066	2,293	2,158	14,372	126,074
Additions	-	900	195	73	51	1,219
Disposals	-	-	(298)	-	-	(298)
Write-offs	-	(72)	-	-	-	(72)
At 31 December 2020	90,185	17,894	2,190	2,231	14,423	126,923
<b>Accumulated depreciation</b>						
At 1 January 2020	9,345	13,813	1,406	1,510	6,713	32,787
Charge for the year	1,804	1,611	441	137	1,217	5,210
Disposals	-	-	(298)	-	-	(298)
Write-offs	-	(71)	-	-	-	(71)
At 31 December 2020	11,149	15,353	1,549	1,647	7,930	37,628
<b>Net carrying amount</b>						
At 31 December 2020	79,036	2,541	641	584	6,493	89,295

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**3. PROPERTY AND EQUIPMENT (CONT'D.)**

**\*Land and buildings**

<b>Group and Company</b>	<b>Freehold properties RM'000</b>	<b>Long-term leasehold properties RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2020/2021 and 31 December 2020/2021	86,265	3,920	90,185
<b>Accumulated depreciation</b>			
At 1 January 2021	10,166	983	11,149
Charge for the year	1,726	79	1,805
At 31 December 2021	11,892	1,062	12,954
At 1 January 2020	8,440	905	9,345
Charge for the year	1,726	78	1,804
At 31 December 2020	10,166	983	11,149
<b>Net carrying amount</b>			
At 31 December 2021	74,373	2,858	77,231
At 31 December 2020	76,099	2,937	79,036

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**4. INTANGIBLE ASSETS**

<b>Group and Company</b>	<b>Club membership RM'000</b>	<b>Computer software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2021	939	57,878	58,817
Additions	-	8,621	8,621
Reclassification (Note 3)	-	(178)	(178)
Adjustment	-	(1,215)	(1,215)
At 31 December 2021	939	65,106	66,045
At 1 January 2020	738	43,172	43,910
Additions	201	14,706	14,907
At 31 December 2020	939	57,878	58,817
<b>Accumulated amortisation</b>			
At 1 January 2021	-	22,092	22,092
Charge for the year	-	8,375	8,375
Reclassification	-	(178)	(178)
Adjustment	-	(201)	(201)
At 31 December 2021	-	30,088	30,088
At 1 January 2020	-	15,869	15,869
Charge for the year	-	6,223	6,223
At 31 December 2020	-	22,092	22,092
<b>Net carrying amount</b>			
At 31 December 2021	939	35,018	35,957
At 31 December 2020	939	35,786	36,725

**5. INVESTMENT PROPERTIES**

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
At 1 January	23,210	23,930
Fair value adjustment (Note 20)	(1,816)	(720)
Disposal	(494)	-
At 31 December	<u>20,900</u>	<u>23,210</u>

Investment properties are stated at fair value in accordance with the policy described in Note 2.4(d) and has been determined based on valuations that reflect market conditions as at the reporting date using the comparison method. The Group and the Company revalued its investment properties based on independent valuations performed by an independent accredited valuer.

The fair value of investment properties are categorised under Level 3 of the fair value hierarchy as disclosed in Note 31.

During the financial year, one unit (1) of investment property was disposed at RM493,850 with a realised loss of RM96,150.

The rental income and operating expenses in relation to the investment properties are as disclosed below:

	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Rental income derived from investment properties	398	618
Direct operating expenses (including repairs and maintenance) which generate rental income	(121)	(111)
Direct operating expenses (including repairs and maintenance) which do not generate rental income	(67)	(59)
Net income from investment properties (Note 18)	<u>210</u>	<u>448</u>

**6. LEASES**

<b>Group and Company</b>	<b>Right-of-use assets RM'000</b>	<b>Lease liabilities RM'000</b>
At 1 January 2021	1,030	1,025
Terminations	(1)	(8)
Accretion of interest	-	28
Depreciation charge (Note 23)	(403)	-
Rental paid	-	(409)
Adjustment/Rent concessions	-	(9)
At 31 December 2021	<u>626</u>	<u>627</u>
At 1 January 2020	1,447	1,385
Additions	112	112
Terminations	(78)	(69)
Accretion of interest	-	45
Depreciation charge (Note 23)	(451)	-
Rental paid	-	(421)
Adjustment/Rent concessions	-	(27)
At 31 December 2020	<u>1,030</u>	<u>1,025</u>

The maturity analysis of lease liabilities is disclosed in Note 30(b). For short term leases and low value assets, the lease expense is disclosed in Note 23.

Set out below are the breakdown of the carrying amounts of right-of-use assets and the movements during the year:

	<b>Properties RM'000</b>	<b>Other equipment RM'000</b>	<b>Total RM'000</b>
At 1 January 2021	1,023	7	1,030
Additions	-	-	-
Terminations	(1)	-	(1)
Depreciation charge	(396)	(7)	(403)
At 31 December 2021	<u>626</u>	<u>-</u>	<u>626</u>
At 1 January 2020	1,412	35	1,447
Additions	112	-	112
Terminations	(78)	-	(78)
Depreciation charge	(423)	(28)	(451)
At 31 December 2020	<u>1,023</u>	<u>7</u>	<u>1,030</u>

## 6. LEASES (CONT'D.)

Set out below are the breakdown of the carrying amounts of lease liabilities based on current and non-current classification:

	2021 RM'000	2020 RM'000
<b>Lease liabilities</b>		
- Current	364	391
- Non-current	263	634
	<u>627</u>	<u>1,025</u>

As a result of COVID-19 pandemic, the Group and the Company received rent concessions such as payment holidays for a period of time. The Group and the Company applied the practical expedient to all rent concessions that meet the conditions of the MFRS 16 amendment.

The amount recognised in the 31 December 2021 Statements of Profit or Loss to reflect changes in lease payments that arise from adjustment of contract amounting to RM9,535 (rent concessions for 2020 : RM27,207).

## 7. INVESTMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
MGS/GII*	118,283	48,586	-	-
Corporate Bonds	620,660	407,464	-	10,008
Equity Securities	64,394	79,418	64,394	79,418
Unit Trust Funds/Wholesale Funds	1,143,659	1,209,972	1,931,525	1,678,076
Deposits with financial institutions	6,000	125,280	6,000	125,280
	<u>1,952,996</u>	<u>1,870,720</u>	<u>2,001,919</u>	<u>1,892,782</u>

\* Malaysian Government Securities (MGS)/Government Investment Issues (GII)

The Group and the Company's investments are summarised by categories as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at fair value through profit or loss ("FVTPL")	738,943	446,042	-	-
Held-to-maturity ("HTM") financial assets	-	10,008	-	10,008
Loans and receivables ("LAR")	6,000	125,280	6,000	125,280
Available-for-sale ("AFS") financial assets	1,208,053	1,289,390	1,995,919	1,757,494
	<u>1,952,996</u>	<u>1,870,720</u>	<u>2,001,919</u>	<u>1,892,782</u>

Management's assessment of the potential impact of adopting MFRS 9 is disclosed in Note 35.

**7. INVESTMENTS (CONT'D.)**

**(a) Financial assets at FVTPL**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
MGS/GII*	118,283	48,586	-	-
Corporate Bonds	620,660	397,456	-	-
	<u>738,943</u>	<u>446,042</u>	<u>-</u>	<u>-</u>

\* Malaysian Government Securities (MGS)/Government Investment Issues (GII)

**(b) HTM financial assets**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Amortised Cost</b>				
Corporate Bonds	<u>-</u>	<u>10,008</u>	<u>-</u>	<u>10,008</u>
<b>Fair Value</b>				
Corporate Bonds	<u>-</u>	<u>10,369</u>	<u>-</u>	<u>10,369</u>

**(c) LAR**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Amortised Cost</b>				
Deposits with licensed financial institutions	<u>6,000</u>	<u>125,280</u>	<u>6,000</u>	<u>125,280</u>

The carrying value of the deposits approximates fair value due to their relatively short term maturities.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**7. INVESTMENTS (CONT'D.)**

**(d) AFS financial assets**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fair Value</b>				
Unit Trust Funds	1,143,659	1,209,972	1,931,525	1,678,076
Equities:				
- Quoted in Malaysia	64,276	79,300	64,276	79,300
	<u>1,207,935</u>	<u>1,289,272</u>	<u>1,995,801</u>	<u>1,757,376</u>
<b>Cost</b>				
Equities:				
- Unquoted in Malaysia	118	118	118	118
	<u>1,208,053</u>	<u>1,289,390</u>	<u>1,995,919</u>	<u>1,757,494</u>

The unquoted equity securities are valued at cost less impairment. The fair value of these equity securities has not been disclosed because the fair value cannot be measured reliably as there is no comparable quoted equity instrument on which fair value may be determined.

Equity securities quoted in Malaysia above have been stated after accumulated impairment losses of RM24,504,783 (2020: RM29,273,210).

**(e) Investment in subsidiaries**

The principal activities of the wholesale unit trust funds are to make investments in fixed income securities. Details of the Company's investments in subsidiaries are as follows:

<b>Established in Malaysia</b>	<b>Effective Direct Interests %</b>
Nomura Ringgit Bond Fund 1	99.208%
Affin Hwang Income Fund 3 *	99.996%

\* Audited by a firm of chartered accountants other than Ernst & Young PLT.

The Company considers the non-controlling interests of the above subsidiaries to be immaterial. Consequently, the additional disclosures as required by MFRS 10 are not provided.



## 8. REINSURANCE ASSETS

	2021 RM'000	2020 RM'000
<b>Group and Company</b>		
Reinsurance of insurance contracts		
Claims liabilities (Note 14)	684,456	342,338
Premium liabilities (Note 14)	64,355	52,850
	<u>748,811</u>	<u>395,188</u>

The reinsurance assets is stated net of accumulated individual impairment losses of approximately of RM407,652 (2020: RM829,000).

## 9. INSURANCE RECEIVABLES

	2021 RM'000	2020 RM'000
<b>Group and Company</b>		
Amount due from agents, brokers and co-insurers	82,751	84,896
Amount due from reinsurers and cedants	453	2,122
Amount due from related parties (Note 26)	2,342	3,844
Allowance for impairment losses	(2,000)	(5,460)
	<u>83,546</u>	<u>85,402</u>

The carrying amounts of insurance receivables disclosed above approximate fair values at balance sheet date.

Amount due from reinsurers and cedants that have been offset against amount due to the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
<b>Group and Company</b>			
<b>31 December 2021</b>			
Premiums	4,624	(4,321)	303
Claims	2,020	(1,870)	150
	<u>6,644</u>	<u>(6,191)</u>	<u>453</u>
<b>31 December 2020</b>			
Premiums	13,680	(12,286)	1,394
Claims	10,536	(9,808)	728
	<u>24,216</u>	<u>(22,094)</u>	<u>2,122</u>

**9. INSURANCE RECEIVABLES (CONT'D.)**

The breakdown of allowance for impairment losses are as follows:

<b>Movement in allowance account</b>	<b>Individually impaired RM'000</b>	<b>Collectively impaired RM'000</b>	<b>Total RM'000</b>
At 1 January 2021	1,660	3,800	5,460
Write back for impairment loss	(543)	(2,917)	(3,460)
Reversal of allowance for impairment losses	(243)	(391)	(634)
Bad debts written-off net of recovery	243	391	634
At 31 December 2021	<u>1,117</u>	<u>883</u>	<u>2,000</u>
At 1 January 2020	1,298	4,114	5,412
Allowance/(write back) for impairment loss	362	(314)	48
Reversal of allowance for impairment losses	(914)	-	(914)
Bad debts written-off net of recovery	914	-	914
At 31 December 2020	<u>1,660</u>	<u>3,800</u>	<u>5,460</u>

Insurance receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# 10. OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other receivables and deposits	7,579	6,906	7,579	6,906
Staff loans*	3	65	3	65
Interest income due and accrued	8,638	7,908	1,032	3,275
Amount due from related parties (Note 26)**	1,784	711	1,784	711
Share of net assets held under Malaysian Motor Insurance Pool ("MMIP")***	38,748	40,434	38,748	40,434
	<u>56,752</u>	<u>56,024</u>	<u>49,146</u>	<u>51,391</u>

The carrying amounts of financial assets disclosed above approximate fair values at balance sheet date.

\* The staff loans are unsecured and interest-free.

\*\* Amount due from related parties is unsecured, non-interest bearing and repayable in the short-term.

\*\*\* The net assets held under MMIP of the Group and the Company include cumulative net cash contributions paid to MMIP of RM12,859,477 (2020: RM13,859,477), after a refund from MMIP of RM1,000,000 in the current financial year. The Group and the Company's share of MMIP's claims and premium liabilities is disclosed in Note 14.

# 11. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At beginning of year	2,418	2,751	(1,895)	1,298
Recognised in AFS fair value reserve	8,890	(5,195)	13,298	(8,055)
Recognised in profit or loss	523	4,862	523	4,862
At end of year	<u>11,831</u>	<u>2,418</u>	<u>11,926</u>	<u>(1,895)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	26,939	24,073	26,939	24,073
Deferred tax liabilities	(15,108)	(21,655)	(15,013)	(25,968)
	<u>11,831</u>	<u>2,418</u>	<u>11,926</u>	<u>(1,895)</u>

**11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)**

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

**Group**

**Deferred tax assets**

	Premium liabilities RM'000	Other provision RM'000	Provision for impairment of investments RM'000	Total RM'000
At 1 January 2021	134	16,914	7,025	24,073
Recognised in profit or loss	278	3,732	(1,144)	2,866
At 31 December 2021	412	20,646	5,881	26,939
At 1 January 2020	304	12,635	5,155	18,094
Recognised in profit or loss	(170)	4,279	1,870	5,979
At 31 December 2020	134	16,914	7,025	24,073

**Deferred tax liabilities**

	Others RM'000	Available- for-sale fair value reserve RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2021	(677)	(12,452)	(8,526)	(21,655)
Recognised in AFS fair value reserve	-	8,890	-	8,890
Recognised in profit or loss	(966)	-	(1,377)	(2,343)
At 31 December 2021	(1,643)	(3,562)	(9,903)	(15,108)
At 1 January 2020	(556)	(7,257)	(7,530)	(15,343)
Recognised in AFS fair value reserve	-	(5,195)	-	(5,195)
Recognised in profit or loss	(121)	-	(996)	(1,117)
At 31 December 2020	(677)	(12,452)	(8,526)	(21,655)

**11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)**

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (Cont'd.)

**Company**

**Deferred tax assets**

	Premium liabilities RM'000	Other provision RM'000	Provision for impairment of investments RM'000	Total RM'000
At 1 January 2021	134	16,914	7,025	24,073
Recognised in profit or loss	278	3,732	(1,144)	2,866
At 31 December 2021	412	20,646	5,881	26,939
At 1 January 2020	304	12,635	5,155	18,094
Recognised in profit or loss	(170)	4,279	1,870	5,979
At 31 December 2020	134	16,914	7,025	24,073

**Deferred tax liabilities**

	Others RM'000	Available- for-sale fair value reserve RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2021	(677)	(16,765)	(8,526)	(25,968)
Recognised in AFS fair value reserve	-	13,298	-	13,298
Recognised in profit or loss	(966)	-	(1,377)	(2,343)
At 31 December 2021	(1,643)	(3,467)	(9,903)	(15,013)
At 1 January 2020	(556)	(8,710)	(7,530)	(16,796)
Recognised in AFS fair value reserve	-	(8,055)	-	(8,055)
Recognised in profit or loss	(121)	-	(996)	(1,117)
At 31 December 2020	(677)	(16,765)	(8,526)	(25,968)

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**12. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed and call deposits with licensed financial institutions *	84,802	90,760	84,802	70,580
Cash and bank balances	58,120	21,100	13,194	20,954
	<u>142,922</u>	<u>111,860</u>	<u>97,996</u>	<u>91,534</u>

\* with original maturity of three months or less

Fixed and call deposits were placed with:

- Investment banks	10,922	14,580	10,922	14,580
- Commercial banks	73,880	76,180	73,880	56,000
	<u>84,802</u>	<u>90,760</u>	<u>84,802</u>	<u>70,580</u>

**13. SHARE CAPITAL**

	<b>Number of ordinary shares</b>		<b>Amount</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Group and Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid:</b>				
At beginning/end of year	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>

**14. INSURANCE CONTRACT LIABILITIES**

Group and Company	Note	2021		2020	
		Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
Provision for claims reported by policyholders					
Provision for IBNR		753,292	(321,278)	432,014	621,626
Claim liabilities	(a)	683,213	(363,178)	320,035	460,786
Premium liabilities	(b)	1,436,505	(684,456)	752,049	1,082,412
Insurance contract liabilities		395,400	(64,355)	331,045	377,932
		1,831,905	(748,811)	1,083,094	1,460,344
					1,065,156
<b>(a) Claim liabilities</b>					
<b>At 1 January</b>		1,082,412	(342,338)	740,074	957,832
Claims incurred for the current accident year		870,908	(457,917)	412,991	608,880
Movement to claims incurred in prior accident years (direct & facultative)				-	
Movement in MMIP claims liabilities		(229,712)	83,926	(145,786)	(137,087)
Claims incurred during the year		(2,139)	-	(2,139)	(6,750)
(treaty inwards claims)		41	-	41	(473)
Movement in Fund PRAD of claims liabilities at 75% confidence level		32,188	(32,806)	(618)	13,976
Movement in claims handling expenses		4,399	-	4,399	6,519
Claims paid during the year	22	(321,592)	64,678	(256,914)	(360,485)
<b>At 31 December</b>		1,436,505	(684,456)	752,049	1,082,412
					(342,338)
					740,074

The reinsurance assets is stated net of accumulated individual impairment losses of approximately RM407,652 (2020: RM829,000).

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**14. INSURANCE CONTRACT LIABILITIES (CONT'D.)**

Group and Company	Note	2021		Net RM'000	2020		Net RM'000
		Gross RM'000	Reinsurance RM'000		Gross RM'000	Reinsurance RM'000	
<b>(b) Premium liabilities</b>							
<b>At 1 January</b>							
Premiums written during the year	17	377,932	(52,850)	325,082	402,004	(48,967)	353,037
Premiums earned during the year	17	901,228	(209,780)	691,448	857,130	(164,461)	692,669
		(883,760)	198,275	(685,485)	(881,202)	160,578	(720,624)
<b>At 31 December</b>		<b>395,400</b>	<b>(64,355)</b>	<b>331,045</b>	<b>377,932</b>	<b>(52,850)</b>	<b>325,082</b>

As at 31 December 2021, the insurance contract liabilities above includes the Group and the Company's proportionate share of MMIP's claim and premium liabilities amounting to RM22,922,608 (2020: RM25,062,055) and RM903,126 (2020: RM1,499,913) respectively.



## 15. INSURANCE PAYABLES

Group and Company	2021 RM'000	2020 RM'000
Amount due to agents, brokers, insureds and co-insurers	15,919	16,570
Amount due to reinsurers and ceding companies	61,436	34,914
Amount due to related parties (Note 26)	2,420	3,850
	<u>79,775</u>	<u>55,334</u>

The carrying amounts disclosed above approximate fair values at balance sheet date.

The Group and the Company's amount due to reinsurers and ceding companies that have been offset against amount due from the same counterparties are as follows:

	Gross amounts offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
<b>31 December 2021</b>		
Premiums	77,373	(17,667)
Claims	4,669	(2,939)
	<u>82,042</u>	<u>(20,606)</u>
<b>31 December 2020</b>		
Premiums	71,454	(38,812)
Claims	13,175	(10,903)
	<u>84,629</u>	<u>(49,715)</u>

## 16. OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Accrued liabilities	69,679	81,535	69,679	81,535
Other payables	15,439	11,950	15,259	11,826
Provision of financial penalty (Note 34)	8,088	-	8,088	-
Cash collateral held on behalf of insureds	3,449	3,825	3,449	3,825
Amount due to related parties (Note 26)	22,952	18,359	22,952	18,359
	<u>119,607</u>	<u>115,669</u>	<u>119,427</u>	<u>115,545</u>

The carrying amounts of financial liabilities disclosed above approximate fair values at balance sheet date due to the relatively short-term maturity of these balances.

The amount due to related parties are non-insurance related balances.

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**17. NET EARNED PREMIUMS**

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<b>(a) Gross earned premiums (Note 14)</b>		
General insurance contracts (Note 14)	901,228	857,130
Change in premium liabilities	(17,468)	24,072
	<u>883,760</u>	<u>881,202</u>
<b>(b) Premiums ceded to reinsurers (Note 14)</b>		
General reinsurance contracts (Note 14)	(209,780)	(164,461)
Change in premium liabilities	11,505	3,883
	<u>(198,275)</u>	<u>(160,578)</u>
<b>Net Earned Premiums (Note 14)</b>	<u>685,485</u>	<u>720,624</u>

**18. INVESTMENT INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2021 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Net income from investment properties (Note 5)	210	448	210	448
Notional rental income	159	324	159	324
Interest income from:				
HTM financial assets	81	396	81	396
AFS financial assets	-	1	-	1
FVTPL financial assets	25,645	16,541	-	-
FVTPL financial assets - amortisation of premiums, net of accretion of discounts	(2,720)	(1,752)	-	-
HTM financial assets - amortisation of premiums, net of accretion of discounts	(1)	(3)	(1)	(3)
Dividend/distribution income from				
AFS financial assets	36,304	41,506	56,662	54,155
LAR fixed and call deposits interest income	3,815	5,877	2,681	5,187
Other investment income, net of investment expenses	(3,244)	(372)	(4,471)	(1,142)
	<u>60,249</u>	<u>62,966</u>	<u>55,321</u>	<u>59,366</u>

**19. NET REALISED GAINS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Property and equipment</b>				
Realised gain	128	139	128	139
<b>FVTPL Financial assets:</b>				
Realised gains:				
MGS/GII*	16	792	-	-
Corporate Bonds	1,064	2,172	-	-
	<u>1,080</u>	<u>2,964</u>	<u>-</u>	<u>-</u>
<b>HTM financial assets</b>				
Realised gains:				
Corporate Bonds	401	-	401	-
<b>AFS financial assets:</b>				
Realised gains:				
Equities	3,456	-	3,456	-
Unit Trust Funds	-	682	-	682
Realised losses:				
Unit Trust Funds	(11)	-	(11)	-
	<u>3,445</u>	<u>682</u>	<u>3,445</u>	<u>682</u>
	<u>5,054</u>	<u>3,785</u>	<u>3,974</u>	<u>821</u>

\* Malaysian Government Securities (MGS)/Government Investment Issues (GII)

**20. FAIR VALUE (LOSSES)/GAINS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fair value adjustment on investment properties (Note 5)	(1,816)	(720)	(1,816)	(720)
Fair value adjustment for FVTPL financial assets	(22,842)	6,564	-	-
Impairment loss on AFS financial assets	-	(7,794)	-	(7,794)
	<u>(24,658)</u>	<u>(1,950)</u>	<u>(1,816)</u>	<u>(8,514)</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**21. OTHER OPERATING INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised loss on foreign exchange	(8)	(240)	(8)	(240)
Sundry income (net of expenses)	6,690	6,769	6,690	6,769
	<u>6,682</u>	<u>6,529</u>	<u>6,682</u>	<u>6,529</u>

**22. NET CLAIMS INCURRED**

<b>Group and Company</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross claims paid (Note 14)	(321,592)	(360,485)
Claims ceded to reinsurers (Note 14)	64,678	59,688
Gross change in contract liabilities	(354,093)	(124,580)
Change in contract liabilities ceded to reinsurers	342,118	45,912
	<u>(268,889)</u>	<u>(379,465)</u>

**23. MANAGEMENT EXPENSES**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Employee benefits expenses (Note 23 (a))	86,503	82,855	86,503	82,855
Non-Executive Directors' fees and allowances (Note 23 (c))	1,357	1,245	1,357	1,245
Auditors' remuneration:				
- statutory audits	347	323	336	313
- regulatory related fees	40	38	40	38
- other services	41	6	41	6
- other auditors	13	13	-	-
Lease expense of low-value assets	389	384	389	384
Depreciation of property and equipment	5,082	5,210	5,082	5,210
Property and equipment written-off	106	1	106	1
Intangible assets written-off	1,014	-	1,014	-
Amortisation of intangible assets	8,375	6,223	8,375	6,223
(Write back of)/allowance of impairment on insurance receivables	(3,460)	48	(3,460)	48
Bad debts written-off	634	914	634	914
Computer service charges	21,864	19,149	21,864	19,149
Depreciation of right-of-use assets (Note 6)	403	451	403	451
Lease interest expenses (Note 6)	28	45	28	45
Advertisement and promotion	14,550	15,733	14,550	15,733
Other expenses	76,122	79,562	74,639	78,633
	<u>213,408</u>	<u>212,200</u>	<u>211,901</u>	<u>211,248</u>

**23. MANAGEMENT EXPENSES (CONT'D.)**

**(a) Employee benefits expenses**

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Wages, salaries and bonus	71,716	68,332
Social security contributions	586	610
Contributions to defined contribution plan, EPF	10,890	10,230
Other benefits	3,311	3,683
	<u>86,503</u>	<u>82,855</u>

Included above is remuneration paid to the Chief Executive Officer ("CEO") and Deputy Chief Executive Officer ("DCEO") of RM2,084,435 (2020: RM1,824,451) as further disclosed in Note 23(b).

**(b) Key management personnel**

The details of remuneration received/receivable during the financial year as included in Note 23(a) are as follows:

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<b>Chief Executive Officer</b>		
Tan Sek Kee		
- Salaries and bonus	1,392	1,320
- Contribution to defined contribution plan and others	202	199
- Benefits-in-kind	31	52
Total remuneration for CEO	<u>1,625</u>	<u>1,571</u>
<b>Deputy Chief Executive Officer</b>		
Tsuyoshi Seto		
- Salaries and bonus	336	252
- Contribution to defined contribution plan and others	1	1
- Benefits-in-kind	122	-
Total remuneration for DCEO	<u>459</u>	<u>253</u>
Total remuneration for key management personnel	<u>2,084</u>	<u>1,824</u>

**23. MANAGEMENT EXPENSES (CONT'D.)**

**(c) Directors' fees and allowances**

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<b>Non-Executive Directors</b>		
Directors' fees		
- Azhar Bin Mohamad	137	119
- Datuk Yong Bun Fou	98	85
- Ahmad Subri Bin Abdullah	98	85
- Tan Sri Dr. Ong Hong Peng	98	85
- Tan Chong Liong	93	81
- Dato' Loh Lye Ngok	650	650
	<u>1,174</u>	<u>1,105</u>
Meeting allowances		
- Azhar Bin Mohamad	30	22
- Datuk Yong Bun Fou	29	24
- Ahmad Subri Bin Abdullah	33	24
- Tan Sri Dr. Ong Hong Peng	32	24
- Tan Chong Liong	27	22
- Dato' Loh Lye Ngok	32	24
	<u>183</u>	<u>140</u>
Total fees and allowances for Non-Executive Directors	<u>1,357</u>	<u>1,245</u>

**24. INCOME TAX EXPENSE**

	<b>Group</b>		<b>Company</b>	
	<b>2021 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Income tax:				
- Current income tax	38,534	26,898	38,534	26,898
- (Over)/under provision in prior years	(4,137)	1,530	(4,137)	1,530
	<u>34,397</u>	<u>28,428</u>	<u>34,397</u>	<u>28,428</u>
Deferred tax (Note 11):				
- Relating to origination and reversal of temporary differences	2,638	(4,862)	2,638	(4,862)
- Over provision in prior years	(3,161)	-	(3,161)	-
	<u>(523)</u>	<u>(4,862)</u>	<u>(523)</u>	<u>(4,862)</u>
Tax expense for the year	<u>33,874</u>	<u>23,566</u>	<u>33,874</u>	<u>23,566</u>

## **24. INCOME TAX EXPENSE (CONT'D.)**

Current income tax is calculated at the Malaysian tax rate of 24% on the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to tax expense at the effective tax rate is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	188,302	135,538	206,643	123,362
Taxation at Malaysian statutory tax rate of 24%	45,192	32,529	49,594	29,607
Effect of income not subject to tax	(9,197)	(15,795)	(13,599)	(12,873)
Effect of expenses not deductible for tax purposes	5,202	5,165	5,202	5,165
Deferred tax recognised at different rate	(25)	137	(25)	137
Over provision of deferred tax in prior years	(3,161)	-	(3,161)	-
(Over)/under provision of income tax in prior years	(4,137)	1,530	(4,137)	1,530
Tax expense for the year	33,874	23,566	33,874	23,566

## **25. EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net profit for the year (RM'000)	154,428	111,972	172,769	99,796
Weighted average number of ordinary shares issue ('000)	118,000	118,000	118,000	118,000
Basic and diluted earnings per share (sen)	130.9	94.9	146.4	84.6

There were no potential dilutive effects on the ordinary shares during and at the end of the financial year. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

## **26. RELATED PARTY DISCLOSURES**

### **(a) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subjected to common control or common significant influence. Related parties may be individuals or other entities. Related parties also include all the Directors and other Key Management Personnel of the Group and the Company.

In the normal course of business, the Group and the Company undertake various transactions with subsidiary and associated companies of its ultimate holding company and other companies deemed related parties by virtue of common directors' shareholdings and a corporate shareholder's interest in its ultimate holding company. The transactions between the Group and the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

### **(b) Key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The compensation for Company's Chief Executive Officer and Deputy Chief Executive Officer are disclosed in Note 23.

### **(c) Wholesale funds distributions**

The Company received income distributions from the wholesale funds. These amounts were eliminated upon preparing the consolidated financial statements.

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Distribution income:		
- Affin Hwang Income Fund 3	9,406	7,015
- Nomura Ringgit Bond Fund 1	9,725	4,864
	<u>19,131</u>	<u>11,879</u>



**26. RELATED PARTY DISCLOSURES (CONT'D.)**

**(d) Related party transactions  
(Expenses)/Income**

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Sompo Japan Insurance Inc.		
Premiums ceded	(26,100)	(20,575)
Claims recovery	4,847	11,046
Commissions received	7,493	6,116
Other income	159	239
Expenses net of recoveries	<u>(15,455)</u>	<u>(10,171)</u>
Sompo Holdings (Asia) Pte. Ltd.		
Expenses net of recoveries	<u>(6,658)</u>	<u>(6,209)</u>
Sompo Insurance Singapore Pte Ltd		
Premiums received	253	253
Claims recovery	1	-
Commissions paid	(60)	(60)
Expenses net of recoveries	<u>(6)</u>	<u>-</u>
Sompo Insurance (Hong Kong) Co., Ltd.		
Premiums ceded	(12,057)	(8,833)
Claims recovery	5,150	2,322
Commissions received	<u>3,861</u>	<u>2,844</u>
Endurance Worldwide Insurance Limited		
Premiums ceded	(4,007)	(3,561)
Commissions received	<u>160</u>	<u>143</u>
Berjaya Corporation Berhad and its related companies		
Premiums received	8,488	5,894
Claims paid	(5,364)	(12,064)
Commissions paid	<u>(913)</u>	<u>(640)</u>
Other related companies		
Premiums ceded	-	(9)
Claims recovery	-	80
Commissions received	-	1
Expenses net of recoveries	<u>(4)</u>	<u>(87)</u>

**26. RELATED PARTY DISCLOSURES (CONT'D.)**

**(e) Related party balances**

<b>Group and Company</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<b>Payables</b>		
Sompo Japan Insurance Inc.	(18,780)	(15,129)
Sompo Holdings (Asia) Pte. Ltd.	(5,592)	(6,228)
Sompo Insurance Singapore Pte. Ltd.	(5)	(188)
Sompo Insurance (Hong Kong) Co., Ltd.	(919)	(599)
Asia Insurance Co., Ltd.	(64)	(65)
Other related companies	(12)	-
<b>Receivables</b>		
Sompo Japan Insurance Inc.	2,332	1,390
Sompo Holdings (Asia) Pte. Ltd.	6	1
Sompo Insurance Singapore Pte. Ltd.	2	-
Asia Insurance Co., Ltd.	-	23
Berjaya Corporation Berhad and its related companies	1,765	2,412
Other related companies	21	729

The above balances are included as part of Note 9 Insurance Receivables, Note 10 Other Receivables, Note 15 Insurance Payables and Note 16 Other Payables.

The balances with related companies above are both trade and non-trade in nature, and are unsecured, interest-free and repayable within normal commercial terms for trade balances and in the short-term for non-trade balances.

**27. DIVIDEND PAID**

Dividend paid to shareholders recognised in the current year by the Company as an appropriation of retained profits is as follows:

	<b>Sen per share</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2021</b>			
Final dividend in respect of financial year ended 31 December 2020			
Sompo Holdings (Asia) Pte. Ltd.	51	42,126	1 July 2021
Berjaya Capital Berhad	51	18,054	1 July 2021
		<u>60,180</u>	
<b>2020</b>			
Final dividend in respect of financial year ended 31 December 2019			
Sompo Holdings (Asia) Pte. Ltd.	35	28,910	1 July 2020
Berjaya Capital Berhad	35	12,390	1 July 2020
		<u>41,300</u>	

## **28. RISK MANAGEMENT FRAMEWORK**

### **(a) Risk Management Framework and Policy**

The Board is committed to the development of an effective Enterprise Risk Management Framework ("ERMF") and Policy, with the aims of providing a consistent approach to managing risk and facilitating an accurate perception of acceptable risk to all employees. It forms an integral part of the Group's and the Company's business strategic planning, performance setting and general risk management culture. The ERMF is established to provide guiding principles on the risk management approach, risk governance structure, roles and responsibilities, methodology used for risk assessment, and risk monitoring and reporting.

Under the ERMF, the Group and the Company adopt the three lines of defence approach, where the Business functions are the "first line of defence", while the risk control units for the "second line of defence" rests with Risk Management and Compliance. They provide an independent oversight which assists the Management in achieving its strategic plans and missions in a proper manner, through risk management and compliance activities across the organization. Internal Audit functions as the "third line of defence", providing independent assurance that the risk management process is functioning as designed and identifies improvement opportunities through its recommendations.

### **(b) Risk Governance Structure**

The Board delegates to the RMC the responsibility for overseeing the risk management activities of the Group and the Company to ensure appropriate risk management is in place and functioning effectively as well as to endorse appropriate risk management policies/frameworks and measurement methodologies for the organisation.

The RMC has a mandate to ensure the effective implementation of the objectives outlined in the ERMF and compliance with them throughout the Group and the Company. The RMC is responsible for periodically reporting material risk exposures to the Board. The roles and responsibilities as well as the authority of the RMC are set out in the Board approved Charter for the RMC.

The RMWC has been established to serve as a medium between the RMC and the Management. The RMWC will oversee the daily risk management activities of the Group and the Company to ensure that risk inherent in daily business activities are managed efficiently and effectively, and it will report regularly to the RMC on its activities, recommendations and/or decisions.

In addition, the RMC delegates to the RMWC the responsibility for ensuring effective implementation and maintenance of the ERMF and that all personnel adhere to its requirements.

## **28. RISK MANAGEMENT FRAMEWORK (CONT'D.)**

### **(b) Risk Governance Structure (Cont'd.)**

The Group and the Company's Risk Governance Structure outlines the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the risks that are attributable to the senior management and other employees.

### **(c) Capital Management Plan ("CMP")**

The objective of the CMP is to optimise the efficient and effective use of resources in order to maximise the return on equity and provide an appropriate level of capital to protect the policyholders, taking into consideration the events that can impact directly or indirectly on the operations and financial resilience of the Group and the Company whilst complying with the rules and regulations issued by relevant authorities.

The Group and the Company's CMP is driven by the business strategies and takes into consideration the impact of business and the regulatory environment in which the Group and the Company operates in. To comply with the RBC Framework, the Group and the Company has also set an Individual Target Capital Level ("ITCL") which is above the minimum statutory requirements.

### **(d) Internal Capital Adequacy Assessment Process ("ICAAP") Policy**

The ICAAP Policy covers the activities of the Company which is regulated by BNM under the FSA 2013. The main objective of the ICAAP is to ensure that the Company has sufficient capital to adequately fund day to day operations, withstand the impact of adverse events and meet requirements as an on-going entity, commensurate with its risk profile.

### **(e) Stress Testing**

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under adverse yet plausible events. The stress test results are tabled annually for the Board's deliberation.

## **29. INSURANCE RISK**

Underwriting and insurance risk is the exposure to financial loss resulting from the selection and approval of risk to be insured, the adjudication of claims and the management of contractual and non-contractual cover.

The Group and the Company have instituted documented standards of risk selection, underwriting authorities, risk management engineering, pricing guidelines and risk accumulation limits. Reinsurance is placed to minimise certain insurance risks within approved limits and security. Claims approval and claims settlement authorities are clearly defined for prudent control on financial exposure. Regular underwriting and claims audits are performed by internal auditors to ensure strict compliance with the Group and the Company's guidelines and standards.

### **Group and Company**

#### **(a) Concentration of risks by class of business**

##### **General insurance business premiums by lines of business:**

	2021			2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	386,648	(17,449)	369,199	396,778	(16,723)	380,055
Fire	254,483	(90,739)	163,744	236,381	(69,722)	166,659
Marine, Aviation & Transit	31,348	(13,557)	17,791	26,850	(13,319)	13,531
Miscellaneous	228,749	(88,035)	140,714	197,121	(64,697)	132,424
	901,228	(209,780)	691,448	857,130	(164,461)	692,669

**29. INSURANCE RISK (CONT'D.)**

**Group and Company (Cont'd.)**

**(a) Concentration of risks by class of business (Cont'd.)**

**General Insurance Contract Liabilities by lines of business:**

	2021			2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>Premium Liabilities</b>						
Motor	230,945	(9,886)	221,059	231,124	(9,874)	221,250
Fire	74,528	(35,229)	39,299	50,306	(12,930)	37,376
Marine, Aviation & Transit	5,737	498	6,235	10,714	(6,664)	4,050
Miscellaneous	84,190	(19,738)	64,452	85,788	(23,382)	62,406
	<u>395,400</u>	<u>(64,355)</u>	<u>331,045</u>	<u>377,932</u>	<u>(52,850)</u>	<u>325,082</u>
<b>Claims Liabilities</b>						
Motor	580,811	(49,987)	530,824	572,699	(36,252)	536,447
Fire	483,983	(417,503)	66,480	146,207	(86,034)	60,173
Marine, Aviation & Transit	49,189	(34,197)	14,992	55,407	(44,092)	11,315
Miscellaneous	322,522	(182,769)	139,753	308,099	(175,960)	132,139
	<u>1,436,505</u>	<u>(684,456)</u>	<u>752,049</u>	<u>1,082,412</u>	<u>(342,338)</u>	<u>740,074</u>

## **29. INSURANCE RISK (CONT'D.)**

### **(b) Sensitivity analysis**

#### **Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the Group and the Company's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD") and provision for claims handling costs.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrences, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

#### **Sensitivities**

The Appointed Actuary is engaged to run a sensitivity analysis of the liabilities and comparison of past valuation results. The method used in performing the sensitivity analysis has not changed compared with the financial year 2020. The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process. Hence, the actuary has carried out the sensitivity analysis by testing the sensitivity of the key assumptions below.

- Initial Expected Loss Ratio;
- Latest Incurred Development Factor;
- Latest Paid Development Factor;
- Indirect Claims Handling Expenses (CHE) Percentage; and
- Provision for Adverse Deviation (PAD) Percentage.

**29. INSURANCE RISK (CONT'D.)**

**(b) Sensitivity analysis (Cont'd.)**

The analysis is performed for reasonably possible movements in key assumptions for the respective periods (i.e. a 5% increase) with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on Gross Liabilities RM'000 ←-----	Impact on Net Liabilities RM'000 Increase/	Impact on Profit Before Tax RM'000 (Decrease)	* Impact on Equity RM'000 -----→
<b>31 December 2021</b>					
Initial Expected Loss Ratio	+5%	35,758	19,310	(19,310)	(14,676)
Latest Incurred Development Factor	+5%	3,012	2,813	(2,813)	(2,138)
Latest Paid Development Factor	+5%	-	16	(16)	(12)
Indirect CHE %	+5%	N/A	1,369	(1,369)	(1,041)
PAD %	+5%	7,205	3,700	(3,700)	(2,812)
<b>31 December 2020</b>					
Initial Expected Loss Ratio	+5%	24,733	19,878	(19,878)	(15,107)
Latest Incurred Development Factor	+5%	4,712	4,357	(4,357)	(3,311)
Latest Paid Development Factor	+5%	-	-	-	-
Indirect CHE %	+5%	N/A	1,127	(1,127)	(857)
PAD %	+5%	5,598	3,731	(3,731)	(2,835)

\* *Impact on Equity reflects adjustments for tax, when applicable*

A change in the assumption in the opposite direction would result in an opposite but equivalent impact.



**29. INSURANCE RISK (CONT'D.)**

**(c) Claims Development Tables**

The following tables show the estimate of ultimate incurred claims, for both reported and IBNR claims for each accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Group and the Company give consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development; the margin to ensure adequacy of provisions is relatively high. As claims develop and the ultimate cost of claims becomes more certain, the margin decreases.

Claims development triangles have been re-created on a quarterly basis instead of annually with effect from 1 January 2017. The periods for accident years 2011 and prior have been revised to begin in January instead of to begin in May (which coincided with the Group and the Company's previous financial year-end of 30 April). Hence the incurred loss data for accident years 2011 and prior have been omitted in these tables.

29. INSURANCE RISK (CONT'D.)

(c) Claims Development Tables (Cont'd.)

Gross General Insurance Contract Liabilities for 2021 (RM '000) - Group and Company

Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	295,219	338,905	390,854	600,496	504,739	580,792	567,720	691,810	608,880	870,908	
One year later	282,486	325,678	379,357	531,144	445,703	552,327	503,670	596,733	449,063	-	
Two years later	289,540	309,973	378,327	522,985	432,007	545,465	486,817	531,522	-	-	
Three years later	279,734	298,660	375,216	481,664	428,902	539,719	479,421	-	-	-	
Four years later	271,928	298,929	374,805	481,526	426,157	538,242	-	-	-	-	
Five years later	275,113	288,071	368,699	480,199	434,321	-	-	-	-	-	
Six years later	266,827	281,328	360,268	481,590	-	-	-	-	-	-	
Seven years later	265,977	275,023	354,870	-	-	-	-	-	-	-	
Eight years later	265,593	273,289	-	-	-	-	-	-	-	-	
Nine years later	265,371	-	-	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>	<b>265,371</b>	<b>273,289</b>	<b>354,870</b>	<b>481,590</b>	<b>434,321</b>	<b>538,242</b>	<b>479,421</b>	<b>531,522</b>	<b>449,063</b>	<b>870,908</b>	<b>4,678,597</b>
<b>Cumulative Claims Paid</b>											
At end of accident year	119,925	136,400	144,585	182,354	215,810	235,212	220,261	224,416	164,948	138,162	
One year later	215,423	232,463	256,421	420,405	352,578	401,295	361,939	362,906	279,719	-	
Two years later	250,897	254,181	327,972	467,097	376,463	469,279	395,230	399,374	-	-	
Three years later	259,519	266,728	340,876	443,668	386,778	483,321	410,202	-	-	-	
Four years later	263,357	271,026	344,916	448,499	389,471	489,749	-	-	-	-	
Five years later	264,607	265,315	346,670	449,627	392,952	-	-	-	-	-	
Six years later	260,696	265,038	347,174	454,902	-	-	-	-	-	-	
Seven years later	261,068	265,632	347,282	-	-	-	-	-	-	-	
Eight years later	261,839	265,776	-	-	-	-	-	-	-	-	
Nine years later	262,000	-	-	-	-	-	-	-	-	-	
<b>Cumulative payments to date</b>	<b>262,000</b>	<b>265,776</b>	<b>347,282</b>	<b>454,902</b>	<b>392,952</b>	<b>489,749</b>	<b>410,202</b>	<b>399,374</b>	<b>279,719</b>	<b>138,162</b>	<b>3,440,118</b>
<b>Gross general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2012	3,371	7,514	7,588	26,688	41,369	48,493	69,218	132,148	169,344	732,746	1,238,479
Treaty Inwards											5,328
MMIP claim liabilities											950
Best Estimate of Claim Liabilities											22,923
Claims Handling Expenses											1,267,680
Fund PRAD at 75% Confidence Interval											24,636
<b>Gross general insurance contract liabilities (Note 14)</b>											<b>1,436,505</b>

29. INSURANCE RISK (CONT'D.)

(c) Claims Development Tables (Cont'd.)

Gross General Insurance Contract Liabilities for 2020 (RM '000) - Group and Company

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year											
One year later		295,219	338,905	390,854	600,496	504,739	580,792	567,720	691,810	608,880	
Two years later		282,486	325,678	379,357	531,144	445,703	552,327	503,670	596,733	-	
Three years later		289,540	309,973	378,327	522,985	432,007	545,465	486,817	-	-	
Four years later		279,734	298,660	375,216	481,664	428,902	539,719	-	-	-	
Five years later		271,928	298,929	374,805	481,526	426,157	-	-	-	-	
Six years later		275,113	288,071	368,699	480,199	-	-	-	-	-	
Seven years later		266,827	281,328	360,268	-	-	-	-	-	-	
Eight years later		280,993	265,977	275,023	-	-	-	-	-	-	
Nine years later		280,224	265,593	-	-	-	-	-	-	-	
		277,477	-	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>	<b>277,477</b>	<b>265,593</b>	<b>275,023</b>	<b>360,268</b>	<b>480,199</b>	<b>426,157</b>	<b>539,719</b>	<b>486,817</b>	<b>596,733</b>	<b>608,880</b>	<b>4,316,866</b>
<b>Cumulative Claims Paid</b>											
At end of accident year											
One year later	130,724	119,925	136,400	144,585	182,354	215,810	235,212	220,261	224,416	164,948	
Two years later	236,200	215,423	232,463	256,421	420,405	352,578	401,295	361,939	362,906	-	
Three years later	264,552	250,897	254,181	327,972	467,097	376,463	469,279	395,230	-	-	
Four years later	273,622	259,519	266,728	340,876	443,668	386,778	483,321	-	-	-	
Five years later	275,971	263,357	271,026	344,916	448,499	389,471	-	-	-	-	
Six years later	277,681	264,607	265,315	346,670	449,627	-	-	-	-	-	
Seven years later	278,095	260,696	265,038	347,174	-	-	-	-	-	-	
Eight years later	275,857	261,068	265,632	-	-	-	-	-	-	-	
Nine years later	276,299	261,839	-	-	-	-	-	-	-	-	
	276,324	-	-	-	-	-	-	-	-	-	
<b>Cumulative payments to date</b>	<b>276,324</b>	<b>261,839</b>	<b>265,632</b>	<b>347,174</b>	<b>449,627</b>	<b>389,471</b>	<b>483,321</b>	<b>395,230</b>	<b>362,906</b>	<b>164,948</b>	<b>3,396,472</b>
<b>Gross general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2011	1,153	3,754	9,391	13,094	30,572	36,686	56,398	91,587	233,827	443,932	<b>920,394</b>
Treaty Inwards											3,809
MMIP claim liabilities											909
Best Estimate of Claim Liabilities											25,062
Claims Handling Expenses											950,174
Fund PRAD at 75% Confidence Interval											20,237
<b>Gross general insurance contract liabilities (Note 14)</b>											<b>1,082,412</b>

\* Please refer to page 103 for explanation.

29. INSURANCE RISK (CONT'D.)

(c) Claims Development Tables (Cont'd.)

Net General Insurance Contract Liabilities for 2021 (RM '000) – Group and Company

Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	250,321	267,467	305,055	364,968	418,060	449,265	479,024	533,003	461,359	412,991	
One year later	236,815	252,739	291,453	342,568	383,558	423,221	429,207	470,435	348,971	-	
Two years later	234,789	240,713	275,397	335,878	379,902	420,088	419,274	443,257	-	-	
Three years later	228,884	235,173	270,563	333,517	380,123	417,963	411,514	-	-	-	
Four years later	224,663	235,892	270,008	334,394	377,967	418,323	-	-	-	-	
Five years later	224,784	235,532	269,161	333,391	378,136	-	-	-	-	-	
Six years later	223,238	233,032	263,441	332,813	-	-	-	-	-	-	
Seven years later	222,208	230,634	259,120	-	-	-	-	-	-	-	
Eight years later	221,879	229,290	-	-	-	-	-	-	-	-	
Nine years later	221,699	-	-	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>	<b>221,699</b>	<b>229,290</b>	<b>259,120</b>	<b>332,813</b>	<b>378,136</b>	<b>418,323</b>	<b>411,514</b>	<b>443,257</b>	<b>348,971</b>	<b>412,991</b>	<b>3,456,114</b>
<b>Cumulative Claims Paid</b>											
At end of accident year	113,260	120,388	132,711	166,472	201,116	215,190	207,364	210,555	150,616	124,791	
One year later	190,747	199,109	221,752	276,416	316,592	336,578	328,183	318,069	236,172	-	
Two years later	209,161	215,797	243,209	302,396	340,989	369,598	352,541	343,991	-	-	
Three years later	216,285	222,501	250,341	311,761	350,325	380,067	363,010	-	-	-	
Four years later	219,386	225,875	252,528	315,591	352,794	384,792	-	-	-	-	
Five years later	220,349	226,541	254,482	316,469	355,308	-	-	-	-	-	
Six years later	220,686	226,857	254,811	317,617	-	-	-	-	-	-	
Seven years later	220,319	227,024	254,947	-	-	-	-	-	-	-	
Eight years later	220,829	227,107	-	-	-	-	-	-	-	-	
Nine years later	220,839	-	-	-	-	-	-	-	-	-	
<b>Cumulative payments to date</b>	<b>220,839</b>	<b>227,107</b>	<b>254,947</b>	<b>317,617</b>	<b>355,308</b>	<b>384,792</b>	<b>363,010</b>	<b>343,991</b>	<b>236,172</b>	<b>124,791</b>	<b>2,828,575</b>
<b>Net general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2012	860	2,183	4,173	15,195	22,828	33,531	48,504	99,266	112,800	288,200	
Treaty Inwards											1,501
MMIP claim liabilities											950
Best Estimate of Claim Liabilities											22,923
Claims Handling Expenses											652,912
Fund PRAD at 75% Confidence Interval											24,636
Additional provision											74,094
<b>Net general insurance contract liabilities (Note 14)</b>											<b>752,049</b>

29. INSURANCE RISK (CONT'D.)

(c) Claims Development Tables (Cont'd.)

Net General Insurance Contract Liabilities for 2020 (RM '000) - Group and Company

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year											
One year later		250,321	267,467	305,055	364,968	418,060	449,265	479,024	533,003	461,359	
Two years later		236,815	252,739	291,453	342,568	383,558	423,221	429,207	470,435	-	
Three years later		234,789	240,713	275,397	335,878	379,902	420,088	419,274	-	-	
Four years later		228,884	235,173	270,563	333,517	380,123	417,963	-	-	-	
Five years later		224,663	235,892	270,008	334,394	377,967	-	-	-	-	
Six years later		224,784	235,532	269,161	333,391	-	-	-	-	-	
Seven years later		223,238	233,032	263,441	-	-	-	-	-	-	
Eight years later		243,733	221,879	-	-	-	-	-	-	-	
Nine years later		242,898	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	242,898	221,879	230,634	263,441	333,391	377,967	417,963	419,274	470,435	461,359	3,439,241
Cumulative Claims Paid											
At end of accident year	121,779	113,260	120,388	132,711	166,472	201,116	215,190	207,364	210,555	150,616	
One year later	209,982	190,747	199,109	221,752	276,416	316,592	336,578	328,183	318,069	-	
Two years later	232,006	209,161	215,797	243,209	302,396	340,989	369,598	352,541	-	-	
Three years later	238,351	216,285	222,501	250,341	311,761	350,325	380,067	-	-	-	
Four years later	240,259	219,386	225,875	252,528	315,591	352,794	-	-	-	-	
Five years later	241,153	220,349	226,541	254,482	316,469	-	-	-	-	-	
Six years later	241,629	220,686	226,857	254,811	-	-	-	-	-	-	
Seven years later	241,689	220,319	227,024	-	-	-	-	-	-	-	
Eight years later	242,123	220,829	-	-	-	-	-	-	-	-	
Nine years later	242,145	-	-	-	-	-	-	-	-	-	
Cumulative payments to date	242,145	220,829	227,024	254,811	316,469	352,794	380,067	352,541	318,069	150,616	2,815,365
Net general insurance outstanding liabilities (direct and facultative inwards)											
Case Reserves for Accident Years Prior to 2011	753	1,050	3,610	8,630	16,922	25,173	37,896	66,733	152,366	310,743	623,876
Treaty Inwards											1,142
MMIP claim liabilities											909
Best Estimate of Claim Liabilities											25,062
Claims Handling Expenses											650,989
Fund PRAD at 75% Confidence Interval											20,237
Additional provision											74,712
Adjustment											829
Net general insurance contract liabilities (Note 14)											(6,693)
											740,074

\* Please refer to page 103 for explanation.

### **30. FINANCIAL RISKS**

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

#### **(a) Credit Risk**

Treaty reinsurers' and brokers' credit ratings are evaluated prior to entering into treaty arrangements. The Group and the Company observe the BNM Guidelines and internal Company policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Group and the Company have tightened the credit collection and recovery policies to expedite collections. The Group and the Company are unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

#### **Credit exposure**

At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial asset recognised in the Statements of Financial Position.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

**30. FINANCIAL RISKS (CONT'D.)**

**(a) Credit Risk (Cont'd.)**

**Credit exposure by credit rating**

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

<b>Group</b>	<b>*AAA RM'000</b>	<b>*AA RM'000</b>	<b>*A RM'000</b>	<b>*BBB - B RM'000</b>	<b>Not Rated RM'000</b>	<b>Total RM'000</b>
<b>31 December 2021</b>						
FVTPL financial assets:						
MGS/GII**	-	-	-	-	118,283	118,283
Corporate Bonds	177,111	443,549	-	-	-	620,660
LAR:						
Fixed and call deposits	-	2,000	4,000	-	-	6,000
AFS financial assets:						
Equity Securities	-	-	-	-	64,394	64,394
Unit Trust Funds	-	-	-	-	1,143,659	1,143,659
Reinsurance assets - claim liabilities	-	10,925	583,287	34,693	55,551	684,456
Insurance receivables***	-	-	543	-	83,003	83,546
Other receivables****	-	-	-	-	18,004	18,004
Cash and cash equivalents	85,239	18,761	8,921	29,506	495	142,922
	<b>262,350</b>	<b>475,235</b>	<b>596,751</b>	<b>64,199</b>	<b>1,483,389</b>	<b>2,881,924</b>

\* Based on public ratings assigned by reputable rating agencies.

\*\* Malaysian Government Securities (MGS)/Government Investment Issues (GII), sovereign bonds.

\*\*\* There are no balances that are past due but not impaired as at year end.

\*\*\*\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

**30. FINANCIAL RISKS (CONT'D.)**

**(a) Credit Risk (Cont'd.)**

**Credit exposure by credit rating**

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

<b>Group</b>	<b>*AAA RM'000</b>	<b>*AA RM'000</b>	<b>*A RM'000</b>	<b>*BBB - B RM'000</b>	<b>Not Rated RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>						
FVTPL financial assets:						
MGS/GII**	-	-	-	-	48,586	48,586
Corporate Bonds	97,040	291,762	-	4,275	4,379	397,456
LAR:						
Fixed and call deposits	59,000	42,280	-	24,000	-	125,280
AFS financial assets:						
Equity Securities	-	-	-	-	79,418	79,418
Unit Trust Funds	-	-	-	-	1,209,972	1,209,972
Reinsurance assets - claim liabilities	-	13,152	234,207	11,187	83,792	342,338
Insurance receivables***	-	-	649	-	84,753	85,402
Other receivables****	-	-	-	-	15,590	15,590
Cash and cash equivalents	78,444	7,391	20,629	5,183	213	111,860
	<b>244,492</b>	<b>354,585</b>	<b>255,485</b>	<b>44,645</b>	<b>1,526,703</b>	<b>2,425,910</b>

\* Based on public ratings assigned by reputable rating agencies.

\*\* Malaysian Government Securities (MGS)/Government Investment Issues (GII), sovereign bonds.

\*\*\* There are no balances that are past due but not impaired as at year end.

\*\*\*\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").



**30. FINANCIAL RISKS (CONT'D.)**

**(a) Credit Risk (Cont'd.)**

**Credit exposure by credit rating (Cont'd.)**

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties.

<b>Company</b>	<b>*AAA</b>	<b>*AA</b>	<b>*A</b>	<b>*BBB - B</b>	<b>Not Rated</b>	<b>Total</b>
<b>31 December 2021</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>LAR:</b>						
Fixed and call deposits	-	2,000	4,000	-	-	6,000
AFS financial assets:						
Equity Securities	-	-	-	-	64,394	64,394
Unit Trust Funds	-	-	-	-	1,931,525	1,931,525
Reinsurance assets - claim liabilities	-	10,925	583,287	34,693	55,551	684,456
Insurance receivables**	-	-	543	-	83,003	83,546
Other receivables***	-	-	-	-	10,398	10,398
Cash and cash equivalents	40,742	18,761	8,921	29,506	66	97,996
	<b>40,742</b>	<b>31,686</b>	<b>596,751</b>	<b>64,199</b>	<b>2,144,937</b>	<b>2,878,315</b>

\* Based on public ratings assigned by reputable rating agencies.

\*\* There are no balances that are past due but not impaired as at year end.

\*\*\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**30. FINANCIAL RISKS (CONT'D.)**

**(a) Credit Risk (Cont'd.)**

**Credit exposure by credit rating (Cont'd.)**

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties.

<b>Company</b>	<b>*AAA RM'000</b>	<b>*AA RM'000</b>	<b>*A RM'000</b>	<b>*BBB - B RM'000</b>	<b>Not Rated RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>						
HTM financial assets:						
Corporate Bonds	10,008	-	-	-	-	10,008
LAR:						
Fixed and call deposits						
AFS financial assets:	59,000	42,280	-	24,000	-	125,280
Equity Securities	-	-	-	-	79,418	79,418
Unit Trust Funds	-	-	-	-	1,678,076	1,678,076
Reinsurance assets - claim liabilities	-	13,152	234,207	11,187	83,792	342,338
Insurance receivables**	-	-	649	-	84,753	85,402
Other receivables***	-	-	-	-	10,957	10,957
Cash and cash equivalents	58,263	7,391	20,629	5,183	68	91,534
	<b>127,271</b>	<b>62,823</b>	<b>255,485</b>	<b>40,370</b>	<b>1,937,064</b>	<b>2,423,013</b>

\* Based on public ratings assigned by reputable rating agencies.

\*\* There are no balances that are past due but not impaired as at year end.

\*\*\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

### **30. FINANCIAL RISKS (CONT'D.)**

#### **(b) Liquidity Risk**

Liquidity risk is the risk where the Group and the Company are unable to meet its obligations in a timely manner at a reasonable cost at any time. The Group and the Company manages this risk by monitoring daily cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Group and the Company also observe principles on asset-liability management and ensures that the average investment duration and maturity profiles match the liabilities.

#### **Maturity Profiles**

The following table summarises the maturity profile of the financial/insurance assets and liabilities of the Group and the Company which are based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Premium liabilities and the reinsurers' share of the premium liabilities have been excluded from the analysis as these are not contractual obligations.

30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

Group	Carrying value RM'000	Undiscounted Contractual Cash Flow				Total RM'000
		Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	
<b>31 December 2021</b>						
Financial assets:						
FVTPL - MGS/GII*	118,283	4,140	45,172	95,458	-	144,770
FVTPL - Corporate Bonds	620,660	71,749	321,873	367,929	-	761,551
LAR - Deposits with licensed financial institutions	6,000	6,072	-	-	-	6,072
AFS - Equity Securities	64,394	-	-	-	64,394	64,394
AFS - Unit Trust Funds	1,143,659	-	-	-	1,143,659	1,143,659
Reinsurance assets - claim liabilities	684,456	493,243	161,563	29,650	-	684,456
Insurance receivables	83,546	82,148	1,398	-	-	83,546
Other receivables**	18,004	16,919	2	-	1,083	18,004
Cash and cash equivalents	142,922	129,676	-	-	13,623	143,299
<b>Total Assets</b>	<b>2,881,924</b>	<b>803,947</b>	<b>530,008</b>	<b>493,037</b>	<b>1,222,759</b>	<b>3,049,751</b>
Insurance contract liabilities - claim liabilities	1,436,505	832,184	524,167	56,063	24,091	1,436,505
Insurance payables	79,775	79,775	-	-	-	79,775
Other payables	119,607	113,018	1,212	-	5,377	119,607
Lease liabilities	627	376	264	-	-	640
<b>Total Liabilities</b>	<b>1,636,514</b>	<b>1,025,353</b>	<b>525,643</b>	<b>56,063</b>	<b>29,468</b>	<b>1,636,527</b>

\* Malaysian Government Securities (MGS)/Government Investment Issues (GII), sovereign bonds.

\*\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

**30. FINANCIAL RISKS (CONT'D.)**

**(b) Liquidity Risk (Cont'd.)**

**Maturity profiles (Cont'd.)**

Group	Undiscounted Contractual Cash Flow					Total RM'000
	Carrying value RM'000	Less than		Over 5 years RM'000	No maturity date RM'000	
		1 year RM'000	1 - 5 years RM'000			
31 December 2020						
Financial assets:						
FVTPL - MGS/GII*	48,586	1,665	8,325	48,093	-	58,083
FVTPL - Corporate Bonds	397,456	28,334	259,492	192,507	-	480,333
HTM - Corporate Bonds	10,008	395	10,593	-	-	10,988
LAR - Deposits with licensed financial institutions	125,280	128,832	-	-	-	125,316
AFS - Equity Securities	79,418	-	-	-	79,418	79,418
AFS - Unit Trust Funds	1,209,972	-	-	-	1,209,972	1,209,972
Reinsurance assets - claim liabilities	342,338	170,385	154,584	17,369	-	342,338
Insurance receivables	85,402	85,402	-	-	-	85,402
Other receivables**	15,590	14,424	7	42	1,117	15,590
Cash and cash equivalents	111,860	91,027	-	-	21,100	111,863
<b>Total Assets</b>	<b>2,425,910</b>	<b>520,464</b>	<b>433,001</b>	<b>258,011</b>	<b>1,311,607</b>	<b>2,519,303</b>
Insurance contract liabilities - claim liabilities	1,082,412	525,781	496,571	33,831	26,229	1,082,412
Insurance payables	55,334	55,334	-	-	-	55,334
Other payables	115,669	110,447	1,428	176	3,618	115,669
Lease liabilities	1,025	419	648	-	-	1,067
<b>Total Liabilities</b>	<b>1,254,440</b>	<b>691,981</b>	<b>498,647</b>	<b>34,007</b>	<b>29,847</b>	<b>1,254,482</b>

\* Malaysian Government Securities (MGS)/Government Investment Issues (GII), sovereign bonds.

\*\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

**30. FINANCIAL RISKS (CONT'D.)**

**(b) Liquidity Risk (Cont'd.)**

**Maturity profiles (Cont'd.)**

Company	Carrying value RM'000	Undiscounted Contractual Cash Flow				Total RM'000
		Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	
<b>31 December 2021</b>						
Financial assets:						
LAR - Deposits with licensed financial institutions	6,000	6,072	-	-	-	6,072
AFS - Equity Securities	64,394	-	-	-	64,394	64,394
AFS - Unit Trust Funds	1,931,525	-	-	-	1,931,525	1,931,525
Reinsurance assets - claim liabilities	684,456	493,243	161,563	29,650	-	684,456
Insurance receivables	83,546	82,148	1,398	-	-	83,546
Other receivables*	10,398	9,313	2	-	1,083	10,398
Cash and cash equivalents	97,996	85,173	-	-	13,194	98,367
<b>Total Assets</b>	<b>2,878,315</b>	<b>675,949</b>	<b>162,963</b>	<b>29,650</b>	<b>2,010,196</b>	<b>2,878,758</b>
Insurance contract liabilities - claim liabilities	1,436,505	832,184	524,167	56,063	24,091	1,436,505
Insurance payables	79,775	79,775	-	-	-	79,775
Other payables	119,427	112,838	1,212	-	5,377	119,427
Lease liabilities	627	376	264	-	-	640
<b>Total Liabilities</b>	<b>1,636,334</b>	<b>1,025,173</b>	<b>525,643</b>	<b>56,063</b>	<b>29,468</b>	<b>1,636,347</b>

\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

**30. FINANCIAL RISKS (CONT'D.)**

**(b) Liquidity Risk (Cont'd.)**

**Maturity profiles (Cont'd.)**

Company	Carrying value RM'000	Undiscounted Contractual Cash Flow				Total RM'000
		Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	
<b>31 December 2020</b>						
Financial assets:						
HTM - Corporate Bonds	10,008	395	10,593	-	-	10,988
LAR - Deposits with licensed financial institutions	125,280	128,832	-	-	-	125,316
AFS - Equity Securities	79,418	-	-	-	79,418	79,418
AFS - Unit Trust Funds	1,678,076	-	-	-	1,678,076	1,678,076
Reinsurance assets - claim liabilities	342,338	170,385	154,584	17,369	-	342,338
Insurance receivables	85,402	85,402	-	-	-	85,402
Other receivables*	10,957	9,790	7	42	1,118	10,957
Cash and cash equivalents	91,534	70,842	-	-	20,954	91,536
<b>Total Assets</b>	<b>2,423,013</b>	<b>465,646</b>	<b>165,184</b>	<b>17,411</b>	<b>1,779,566</b>	<b>2,424,031</b>
Insurance contract liabilities - claim liabilities	1,082,412	525,781	496,571	33,831	26,229	1,082,412
Insurance payables	55,334	55,334	-	-	-	55,334
Other payables	115,545	110,323	1,428	176	3,618	115,545
Lease liabilities	1,025	419	648	-	-	1,067
<b>Total Liabilities</b>	<b>1,254,316</b>	<b>691,857</b>	<b>498,647</b>	<b>34,007</b>	<b>29,847</b>	<b>1,254,358</b>

\* Other receivables exclude the share of net assets held under Malaysian Motor Insurance Pool ("MMIP").

### **30. FINANCIAL RISKS (CONT'D.)**

#### **(c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Group and the Company's policies on asset allocations, investment limits and portfolio mix structures have been set in line with the Group and the Company risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Compliance with the policies is monitored and reported to the Board of Directors and Investment Committee.

#### **(d) Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to currency risk arises principally with respect to US Dollar (USD) and Singapore Dollar (SGD).

As the Group and the Company business are conducted primarily in Malaysia, the Group and the Company financial assets and its insurance contract liabilities are also primarily maintained in Malaysia, and denominated in RM.

The Group and the Company's main currency risk arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. Therefore, the impact arising from sensitivity analysis of foreign exchange rate movement is deemed minimal. The Group and the Company have no significant concentration of currency risk.

#### **(e) Interest Rate/Profit Yield Risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates/profit yield.

The Group and the Company are exposed to interest rate risk primarily through investments in fixed income securities and deposit placements. As the wholesale unit trust funds invest mainly in Corporate Debt Securities and Malaysian Government Securities, the net asset value ("NAV") of the funds reported by the Fund Managers would also be sensitive to interest rate movements. The Group and the Company invest in deposit placements with licensed financial institutions are not exposed to significant interest risk as thereon are fixed rate and short term, therefore, exposure to interest rate fluctuation is minimal.



**30. FINANCIAL RISKS (CONT'D.)**

**(e) Interest Rate/Profit Yield Risk (Cont'd.)**

The impact of changes in interest rates to the fair value of investments held by the Group and the Company are shown in the following sensitivity analysis table.

<b>Interest Rate/Profit Yield</b>		<b>Impact on Profit</b>	<b>Impact on</b>
	<b>Change in variables</b>	<b>after Tax</b>	<b>Equity*</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>			
<b>31 December 2021</b>			
	+ 50 basis points	(2,794)	(4,324)
	+ 25 basis points	(1,400)	(2,168)
	- 25 basis points	1,407	2,178
	- 50 basis points	2,822	4,368
<b>31 December 2020</b>			
	+ 50 basis points	(1,683)	(4,575)
	+ 25 basis points	(844)	(2,293)
	- 25 basis points	848	2,305
	- 50 basis points	1,700	4,621
<b>Company</b>			
<b>31 December 2021</b>			
	+ 50 basis points	-	(7,303)
	+ 25 basis points	-	(3,661)
	- 25 basis points	-	3,679
	- 50 basis points	-	7,377
<b>31 December 2020</b>			
	+ 50 basis points	4	(6,345)
	+ 25 basis points	2	(3,180)
	- 25 basis points	(2)	3,196
	- 50 basis points	(4)	6,409

*\* Impact on Equity reflects impact of AFS financial assets, adjusted for tax when applicable*

### 30. FINANCIAL RISKS (CONT'D.)

#### (f) Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group and the Company's price risk exposure relates to financial assets and financial liabilities which will fluctuate in value as a result of changes in market prices.

The Group and the Company are exposed to price risks arising from investments held comprising quoted equities and unit trust funds.

The sensitivity analysis below is performed for reasonably possible movements in market price with all other variables held constant, showing the impact on quoted equities prices and unit trust NAV to equity of the Group and of the Company.

		<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Change in variable		<div style="display: flex; align-items: center; justify-content: space-between;"> <span>←</span> <span><b>Increase/(Decrease)</b></span> <span>→</span> </div>			
Equity prices*	+10%	6,439	7,930	6,439	7,930
Equity prices*	-10%	(6,439)	(7,930)	(6,439)	(7,930)
Unit Trust NAV	+10%	114,366	120,997	193,153	167,808
Unit Trust NAV	-10%	(114,366)	(120,997)	(193,153)	(167,808)

*\* Impact on Equity reflects adjustments for tax, when applicable*

The method used for deriving sensitivity information and variables did not change from the previous year.

### **30. FINANCIAL RISKS (CONT'D.)**

#### **(g) Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but mitigate them by establishing a control framework and by monitoring and responding to potential risks.

The following controls are in place to monitor and mitigate such risks:

- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training; and
- Evaluation procedures such as internal audit.

Business risks, such as changes in environment, technology and the industry are also monitored through the Group and the Company's strategic and budgeting process.

#### **(h) Compliance Risk**

Compliance risk is the potential for losses and legal penalties due to failure to comply with laws or regulations, code of conduct and standards of best practice.

The Group and the Company conduct regular reviews across various departments to ensure all business activities are complying with the regulatory and statutory requirements.

### **31. FAIR VALUE HIERARCHY**

The following tables analyse assets which are carried at fair value and assets for which fair value are disclosed according to their fair value hierarchy, defined as follows:

#### **i. Level 1**

Quoted (unadjusted) market prices in active market for identical assets or liabilities

#### **ii. Level 2**

Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable

#### **iii. Level 3**

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**31. FAIR VALUE HIERARCHY (CONT'D.)**

The table below analyse assets carried at fair value and assets for which fair value is disclosed, according to their fair value hierarchy.

Group	Note	2021					2020				
		Fair value measurement using:					Fair value measurement using:				
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Assets for which fair values are disclosed:											
HTM - Corporate Bonds	7 (b)	-	-	-	-		-	10,369	-	10,369	
Assets measured at fair value on a recurring basis:											
Investment properties	5	-	-	20,900	20,900		-	-	23,210	23,210	
AFS - Equity Securities	7 (d)	64,276	-	-	64,276	79,300		-	-	-	79,300
AFS - Unit Trust Funds	7 (d)	1,143,659	-	-	1,143,659	1,209,972		-	-	-	1,209,972
FVTPL - MGS/GII	7 (a)	-	118,283	-	118,283	-		48,586	-	-	48,586
FVTPL - Corporate Bonds	7 (a)	-	620,660	-	620,660	-		397,456	-	-	397,456
		1,207,935	738,943	20,900	1,967,778	1,289,272		446,042	23,210	1,758,524	

There has been no transfer between level 1 and level 2 of the fair value hierarchy during the financial year.

The fair value of the investment properties are categorised as Level 3 and valuations were derived based on the methods disclosed in Note 2.4(g) and Note 5. The reconciliation from opening to closing balances for assets valued under Level 3 of the fair value hierarchy is provided in Note 5. The significant unobservable valuation input is based on market value per square foot of the investment properties. The values of the unobservable input used was in the range of RM323 - RM2,083 (2020: RM260 - RM2,500). The fair value would increase/(decrease) if the value per square foot used is higher/(lower).

**31. FAIR VALUE HIERARCHY (CONT'D.)**

The table below analyse assets carried at fair value and assets for which fair value is disclosed, according to their fair value hierarchy.

Company	Note	2021					2020					
		Fair value measurement using:					Fair value measurement using:					
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Assets for which fair values are disclosed:												
HTM - Corporate Bonds	7 (b)	-	-	-	-		-	10,369	-	10,369	-	10,369
		-	-	-	-		-	10,369	-	10,369	-	10,369
Assets measured at fair value on a recurring basis:												
Investment properties	5			20,900	20,900		-	-	23,210	23,210		23,210
AFS - Equity Securities	7 (d)	64,394			64,394		79,300	-	-	-		79,300
AFS - Unit Trust Funds	7 (d)	1,931,525			1,931,525		1,678,076	-	-	-		1,678,076
		1,995,919	-	20,900	2,016,819		1,757,376		23,210	1,780,586		1,780,586

There has been no transfer between level 1 and level 2 of the fair value hierarchy during the financial year.

The fair value of the investment properties are categorised as Level 3 and valuations were derived based on the methods disclosed in Note 2.4(g) and Note 5. The reconciliation from opening to closing balances for assets valued under Level 3 of the fair value hierarchy is provided in Note 5. The significant unobservable valuation input is based on market value per square foot of the investment properties. The values of the unobservable input used was in the range of RM323 - RM2,083 (2020: RM260 - RM2,500). The fair value would increase/(decrease) if the value per square foot used is higher/(lower).

### 32. REGULATORY CAPITAL REQUIREMENT

The Company's Internal Capital Adequacy Assessment Process ("ICAAP") Framework is in place to manage and maintain capital adequacy level that commensurate with its risk profile at all times and to ensure that adequate capital resources are available to maintain Capital Adequacy Ratio ("CAR") above Individual Target Capital Level ("ITCL") and Supervisory Level. Pursuant to the Risk-Based Capital Framework issued by BNM, the Company has met the minimum CAR of 130%.

The total capital available of the Company as at 31 December 2021, as prescribed under the RBC Framework is provided below:

	Note	2021 RM'000	2020 RM'000
<b>Eligible Tier 1 Capital</b>			
Share capital (paid-up)	13	118,000	118,000
Retained earnings		961,686	849,097
		<u>1,079,686</u>	<u>967,097</u>
<b>Tier 2 Capital</b>			
AFS fair value reserve		<u>10,979</u>	<u>53,088</u>
<b>Deductions</b>			
Intangible assets	4	35,957	36,725
Deferred tax income / (expense)	11	523	4,862
Deferred tax assets	11	<u>11,926</u>	<u>-</u>
		<u>48,405</u>	<u>41,587</u>
<b>Total capital available</b>		<u>1,042,260</u>	<u>978,598</u>

### 33. CAPITAL COMMITMENTS

	2021 RM'000	2020 RM'000
<b>Capital Expenditure approved and contracted for:</b>		
Property, plant and equipment	1,365	3,766
Intangible assets	<u>1,872</u>	<u>5,054</u>
	<u>3,237</u>	<u>8,820</u>

#### **34. FINANCIAL PENALTY IMPOSED BY THE MYCC**

On 22 February 2017, the Company received a statutory notice of the proposed decision by Malaysian Competition Commission ("MyCC") that the Company and the other 21 members of PIAM (collectively "the Parties") have infringed one of the prohibitions under Part II of the Competition Act, 2010 ("Act") ("Proposed Decision"). The Proposed Decision amongst others imposed financial penalties on the Parties amounting to a total sum of RM213,454,814. The Company's share of the financial penalty was for the sum of RM10,784,489.

A denovo hearing of the oral representations before MyCC was commenced on 17 June 2019 and concluded on 18 June 2019.

On 14 September 2020, MyCC delivered its decision in finding the Parties infringed section 40 of the Act and directed the Parties to ("MyCC Decision"):

- (a) cease and desist from implementation of trade discount and labour rates with immediate ("Cease and Desist Order"); and
- (b) imposed financial penalty on the Parties ("Penalty").

Taking into account the impact of economic situation arising from the outbreak of global COVID-19 pandemic, MyCC granted a 25% reduction on the financial penalty imposed on the Parties. The financial penalty imposed on the Company was RM10,784,489.38 and after Covid-19 consideration it was reduced to RM8,088,367.03.

The Company appealed against the entire MyCC Decision ("Appeal") to the Commission of Appeal Tribunal ("CAT") and filed an application for stay of payment of the financial penalty pending final disposal of the Appeal ("Stay Application").

On 23 March 2021, the CAT allowed stay of financial penalty pending disposal the Appeal, and the CAT at its own discretion also allowed stay of the Cease and Desist Order in favour of the Parties.

The hearing of BNM's appeal against the MyCC Decision before the CAT was heard on 15 October 2021 and 29 October 2021 ("Hearing for BNM").

Given that the CAT's decision will affect the other appeals, including the Company's appeal, the CAT has reserved its decision until all appeals are heard.

The Insurers' (including the Company) respective counsels concluded their oral submissions on the Appeal before the CAT in November, 2021.

The CAT has fixed further hearing dates in March 2022 and April 2022 for MyCC's counsel's oral submission and the Insurers' counsels reply.

Considering the development and progress, coupled with the uncertainty over the final outcome, the Group and the Company have made a provision of RM8,088,367 in the financial statements as disclosed in Note 16 to the financial statements.

### **35. CLASSIFICATION AND MEASUREMENT IMPACT OF MFRS 9 FINANCIAL INSTRUMENTS**

The Group and the Company have elected to apply a temporary exemption from MFRS 9 as their activities are predominantly connected with insurance, as specified under paragraph 20D of the Amendments to MFRS 4, Applying MFRS 9 Financial Instruments.

In applying the temporary exemption under the Amendments to MFRS 4, the Group and the Company will continue to use MFRS 139 Financial Instruments: Recognition and Measurement in respect of their financial assets and financial liabilities, rather than MFRS 9 for annual periods before 1 January 2023.

The Group and the Company have not adopted any version of MFRS 9 as of the date of these financial statements and the carrying amount of their liabilities arising from insurance contracts within MFRS 4 is significant. The Group and the Company have performed the assessment and concluded that they qualify for the temporary exemption from MFRS 9 under the Amendments to MFRS 4. The percentage of the total carrying amount of insurance contract liabilities within MFRS 4 for the Group and Company was 93% (2020: 92%).

The details of the Group and the Company's liabilities connected with insurance at at 31 December 2021 are as follows:

	<b>As a % of total liabilities</b>	<b>RM'000</b>
(a) Liabilities arising from contracts within scope of MFRS 4	89%	1,831,905
(b) Liabilities arising from insurance or fulfilment of obligations arising from contracts above:		
- Insurance payables	4%	79,775



**BERJAYA SOMPO INSURANCE BERHAD**  
**Registration No: 198001008821 (62605-U)**  
**(Incorporated in Malaysia)**

**35. CLASSIFICATION AND MEASUREMENT IMPACT OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)**

The following tables show the original measurement categories in accordance with MFRS 139 and measurement categories under MFRS 9 for the Group and Company's financial assets as at 31 December 2021 and 31 December 2020.

<b>Group</b>	<b>Fair value changes during the year RM'000</b>	<b>Fair value as at 31 December RM'000</b>	<b>Results of the cash flow characteristics test of financial assets</b>	<b>Classification and measurement under MFRS 9</b>
<b>2021</b>				
<b>Financial assets at FVTPL</b>				
MGS/GII*	(19,960)	118,283	SPPI	FVTPL
Corporate Bonds	(2,882)	620,660	SPPI	FVTPL
<b>AFS financial assets</b>				
Equity Securities				
- Quoted in Malaysia	(7,514)	64,276	Non-SPPI	FVTPL
- Unquoted in Malaysia	-	118	Non-SPPI	FVTPL
Unit Trust Funds	(24,762)	1,143,659	Non-SPPI	FVTPL
<b>LAR</b>				
Fixed and call deposits		6,000	SPPI	AC
Other receivables	-	56,752	SPPI	AC
Cash and cash equivalents	-	142,922	SPPI	AC
<b>2020</b>				
<b>Financial assets at FVTPL</b>				
MGS/GII*	(306)	48,586	SPPI	FVTPL
Corporate Bonds	6,870	397,456	SPPI	FVTPL
<b>HTM financial assets</b>				
Corporate Bonds	(3)	10,008	SPPI	AC
<b>AFS financial assets</b>				
Equity Securities				
- Quoted in Malaysia	7,436	79,300	Non-SPPI	FVTPL
- Unquoted in Malaysia	-	118	Non-SPPI	FVTPL
Unit Trust Funds	5,658	1,209,972	Non-SPPI	FVTPL
<b>LAR</b>				
Fixed and call deposits	-	125,280	SPPI	AC
Other receivables	-	56,024	SPPI	AC
Cash and cash equivalents	-	111,860	SPPI	AC

\* Malaysian Government Securities (MGS)/Government Investment Issues (GII)

Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17 *Insurance Contracts*.

**35. CLASSIFICATION AND MEASUREMENT IMPACT OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)**

<b>Company</b>	<b>Fair value changes during the year RM'000</b>	<b>Fair value as at 31 December RM'000</b>	<b>Results of the cash flow characteristics test of financial assets</b>	<b>Classification and measurement under MFRS 9</b>
<b>2021</b>				
<b>AFS financial assets</b>				
Equity Securities				
- Quoted in Malaysia	(7,514)	64,276	Non-SPPI	FVTPL
- Unquoted in Malaysia	-	118	Non-SPPI	FVTPL
Unit Trust Funds	(43,124)	1,931,525	Non-SPPI	FVTPL
<b>LAR</b>				
Fixed and call deposits	-	6,000	SPPI	AC
Other receivables	-	49,146	SPPI	AC
Cash and cash equivalents	-	97,996	SPPI	AC
<b>2020</b>				
<b>HTM financial assets</b>				
Corporate Bonds	(3)	10,008	SPPI	AC
<b>AFS financial assets</b>				
Equity Securities				
- Quoted in Malaysia	7,436	79,300	Non-SPPI	FVTPL
- Unquoted in Malaysia	-	118	Non-SPPI	FVTPL
Unit Trust Funds	17,572	1,678,076	Non-SPPI	FVTPL
<b>LAR</b>				
Fixed and call deposits	-	125,280	SPPI	AC
Other receivables	-	51,391	SPPI	AC
Cash and cash equivalents	-	91,534	SPPI	AC

Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17 *Insurance Contracts*.

**36. SIGNIFICANT EVENT DURING THE YEAR**

**Flood events in Malaysia**

There were serious flood events that occurred toward end of 2021 affecting many states in Malaysia. Flood risk is one of the insurance risks the Company has underwritten and all insurance risks including flood risk are mitigated through established reinsurance arrangements made by the Group and the Company. The Company is of the view that adequate reserves have been provided for in the insurance contract liabilities as at 31 December 2021 for the insurance claims arising from the flood events.