

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

**Directors' Report and Audited Financial Statements**  
**31 December 2018**

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

<b>Contents</b>	<b>Page</b>
Corporate Governance Statement	1 - 20
Directors' Report	21 - 24
Statement by Directors	25
Statutory Declaration	25
Independent Auditors' Report	26 - 29
Statement of Financial Position	30
Income Statement	31
Statement of Comprehensive Income	32
Statement of Changes in Equity	33
Cash Flows Statement	34 - 35
Notes to the Financial Statements	36 - 107

**BERJAYA SOMPO INSURANCE BERHAD**  
**(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 its duties and responsibilities, ensuring the affairs of the Company is 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 has complied with all the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under the FSA, Companies Act 2016 ("CA 2016") and Policy Document on Corporate Governance 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 procedure are in place. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure compliance with relevant law, 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 prescribed in the Corporate Governance Policy Document ("CGPD") issued by BNM and also serves as a reference to all stakeholders. The Board regularly reviews its Charter to ensure it remains consistent and relevant to the Board's objectives and responsibilities, and all regulations/laws in connection thereto.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**Composition of the Board**

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

Name of Directors and Chief Executive Officer

Azhar Bin Mohamad (INED/Chairman)  
Dato' Loh Lye Ngok (NIED) - ceased on 25 May 2018  
Katsuyuki Tajiri (NIED) – resigned on 25 May 2018  
Daniel Neo (NIED) – appointed on 25 May 2018  
Datuk Yong Bun Fou (INED)  
Ahmad Subri Bin Abdullah (INED)  
Tan Sri Dr. Ong Hong Peng (INED)  
Tan Chong Liong (NINED)  
Tan Sek Kee (CEO)

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

**Roles and Responsibilities of the Board**

The Board has the overall responsibility 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 its Memorandum and Articles of Association ("Constitution"). This includes a 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 Chief Executive Officer ("CEO"), control function heads 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;

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**Roles and Responsibilities of the Board (Cont'd.)**

In fulfilling this role, the Board shall be responsible for, among others, the following:– (Cont'd.)

- To promote sustainability through appropriate environmental, social and governance considerations in the Company 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;
- 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.

**PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER**

The following are the current profiles of the Directors and Chief Executive Officer of the Company:

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

Azhar bin Mohamad, aged 54, was appointed to the Board of the Company on 14 March 2013 and appointed as Chairman of the Company on 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 Degree in Accounting and Finance from the Lancaster University, United Kingdom, and a Master 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.

Directorship in other companies

1. MainStreet Advisers Sdn Bhd
2. Turbo-Mech Berhad

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**AZHAR BIN MOHAMAD (CONT'D.)**  
**CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR**

Training attended during the financial year

1. MII Training on the Insurance Industry Overview; and the Roles and Responsibilities of the Board of Directors.
2. MII Training on the Board of Directors' Responsibilities on Financial Management and Reports of the Company; and Understanding Financial Reports and Indicators.
3. Corporate Strategic Analytics: Essentials of Corporate Proposals Analysis.
4. China's Belt and Road Initiative: Impact on Malaysian Capital Market.
5. MII Training on Principles, Codes and Rules of Governance, Risk Management and Compliance – Oversight and Action Plans for Board
6. Breakfast Series: Non-Financials – Does It Matter

**DANIEL NEO**  
**NON-INDEPENDENT EXECUTIVE DIRECTOR**

Daniel Neo, aged 49, was appointed to the Board of the Company on 25 May 2018. Currently, Mr Daniel serves as a member of the Investment Committee and the Nomination Committee of the Company. He is currently the Senior Executive Director at Sampo Holdings (Asia) Pte. Ltd.

Mr Daniel Neo graduated from the Truman State University, United States of America with a Bachelor of Science in Business Administration in 1993 and he also holds a Master of Accountancy from the Truman State University, United States of America in 1996.

Mr Daniel Neo has more than twenty (20) years of working experience in the insurance industry. He joined Sampo Group in February 2015, having been appointed as CEO of Sampo Indonesia.

Prior to joining Sampo, Daniel Neo spent most of his career with another insurance group in various senior management positions.

Directorship in other companies

1. PT Sampo Japan Insurance Indonesia
2. Sampo Holdings Asia Pte Ltd
3. Sampo Japan Insurance (Thailand) Co Ltd

Training attended during the financial year

1. FIDE Directors Training Programme – Modules A

**BERJAYA SOMPO INSURANCE BERHAD**  
(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, aged 64, was appointed to the Board of the Company on 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 Nomination Committee, the Remuneration Committee and the Investment Committee of the Company.

Datuk Yong holds a Master 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.

Training attended during the financial year

1. MII Training on the Insurance Industry Overview; and the Roles and Responsibilities of the Board of Directors.
2. MII Training on the Board of Directors' Responsibilities on Financial Management and Reports of the Company; and Understanding Financial Reports and Indicators.
3. MII Training on Principles, Codes and Rules of Governance, Risk Management and Compliance – Oversight and Action Plans for Board
4. MII Training on Reinsurance and Shariah

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

Ahmad Subri bin Abdullah, aged 70, was appointed to the Board of the Company on 25 January 2017. Presently, Encik Ahmad Subri serves as the Chairman of the Risk Management Committee of the Company. He also serves as a member of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company.

Ahmad Subri brings with him over 30 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**AHMAD SUBRI BIN ABDULLAH (CONT'D.)**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Ahmad Subri qualified as a Fellow of the Chartered Insurance Institute, United Kingdom and is a Fellow of the Malaysian Insurance Institute. 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. VSTECS Berhad (formerly known as ECS ICT Berhad)
3. Emerio (Malaysia) Sdn Bhd
4. Gaushala Sdn Bhd
5. KDU Management Development Centre Sdn Bhd
6. Timewaver SEA Sdn Bhd
7. Pheim Unit Trust Berhad
8. Pheim Asset Management Sdn Bhd
9. Malaysian Life Reinsurance Group Berhad
10. Innoitus Malaysia Sdn Bhd
11. SBI Offshore Limited

Training attended during the financial year

1. MII Training on the Insurance Industry Overview; and the Roles and Responsibilities of the Board of Directors.
2. MII Training on the Board of Directors' Responsibilities on Financial Management and Reports of the Company; and Understanding Financial Reports and Indicators.
3. MII Training on Principles, Codes and Rules of Governance, Risk Management and Compliance – Oversight and Action Plans for Board
4. MII Training on Reinsurance and Shariah
5. Anti-Money Laundering, Anti-Terrorism Financing and Proceeds Of Unlawful Activities Act 2001 organised by Pheim Group of Companies
6. MII Breakfast Talk on A global perspective on insurance protection gaps – why most economic and societal losses remain uninsured



**BERJAYA SOMPO INSURANCE BERHAD**  
**(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, aged 63, was appointed to the Board of the Company on 17 July 2017. Presently, Tan Sri Dr. Ong serves as the Chairman of the Nomination 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 sits on the Board of Sepang International Circuit ("SIC") and Malaysia Convention Bureau ("MyCEB"). In addition, he is a member of the Investment Panel of Retirement Fund Incorporated ("KWAP").

Tan Sri Dr. Ong graduated with a Master in Economics from Hiroshima University, Japan and Ph.D. in Economics from Michigan State University, USA.

He started his career as Assistant Director of Public Service Department in 1991 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.

**Directorship in other companies**

1. Sepang International Circuit Sdn Bhd (MOF Incorporated Company)

**Training attended during the financial year**

1. FIDE Directors Training Programme – Modules A
2. FIDE Directors Training Programme – Modules B
3. MII Training on the Insurance Industry Overview; and the Roles and Responsibilities of the Board of Directors.
4. MII Training on the Board of Directors' Responsibilities on Financial Management and Reports of the Company; and Understanding Financial Reports and Indicators.
5. MII Training on Principles, Codes and Rules of Governance, Risk Management and Compliance – Oversight and Action Plans for Board
6. MII Training on Reinsurance and Shariah

**BERJAYA SOMPO INSURANCE BERHAD**  
**(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, aged 53, was appointed to the Board of the Company on 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 graduated with a Bachelor of Accounting from University of Malaya and procured an MBA in International Management from the Royal Melbourne Institute of Technology, Australia. He is also a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA").

Mr Tan has twenty-five (25) years of working experience 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, and actively engaging in business in China. Currently, being a Committee Member of the Fintech Association of Malaysia and a Director of an investment company focusing in startups in Fintech, eCommerce, IoT and games, he is actively involved in the development of Fintech eco-system in Malaysia.

Directorship in other companies

1. Main Street Capital Sdn Bhd
2. True Happiness Capital Sdn Bhd
3. Ace Pursuit Sdn Bhd
4. Angelite Limited

Training attended during the financial year

1. FIDE Directors Training Programme – Modules A
2. FIDE Directors Training Programme – Modules B
3. MII Training on the Insurance Industry Overview; and the Roles and Responsibilities of the Board of Directors.
4. MII Training on Reinsurance and Shariah

**BERJAYA SOMPO INSURANCE BERHAD**  
**(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 Berjaya Sampo Insurance Berhad on 1 January 2017 as Deputy Chief Executive Officer and was appointed as Chief Executive Officer on 15 March 2017.

A Malaysian aged 54, he graduated from the London School of Economics with a Bachelor of Science degree majoring in Actuarial Science. He also holds an Associateship with Malaysian Insurance Institute ("AMII").

Prior to joining Berjaya Sampo Insurance Berhad, he was attached to AXA Affin General Insurance Berhad ("AXA") since 1995. During his tenor 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.

Training attended during the financial year

1. 2018 Sales Conference

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

The Board convened fifteen (15) meetings for the financial year ended 31 December 2018. The attendance of each Directors at the Board meetings held during the financial year is set out below:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Azhar Bin Mohamad (INED/Chairman)	15/15	100%
Datuk Yong Bun Fou (INED)	15/15	100%
Katsuyuki Tajiri (NIED) <sup>#1</sup>	2/4 *	50%
Dato' Loh Lye Ngok (NIED) <sup>#2</sup>	4/4 *	100%
Ahmad Subri Bin Abdullah (INED)	15/15	100%
Tan Sri Dr. Ong Hong Peng (INED)	15/15	100%
Tan Chong Liong (NINED)	15/15	100%
Daniel Neo (NIED) <sup>#3</sup>	10/11 *	91%

*#1 Resigned on 25 May 2018*

*#2 Ceased on 25 May 2018*

*#3 Appointed on 25 May 2018*

*\* Reflects the attendance and the number of meetings held during the period the Directors held office.*

**Board Committee**

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

**1. AUDIT COMMITTEE**

The Audit Committee ("AC") comprises three (3) INEDs. A total of four (4) meetings were held during the financial year ended 31 December 2018 and the details of attendance of each member of the AC meeting is as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Datuk Yong Bun Fou (Chairman)	4/4	100%
Azhar bin Mohamad	4/4	100%
Ahmad Subri bin Abdullah	4/4	100%

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

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 rest of 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;
- 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 auditor 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 one (1) NINED, and Chairman is an INED. A total of five (5) meetings were held during the financial year ended 31 December 2018 and the details of attendance of each member of the RMC meeting is as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Ahmad Subri Bin Abdullah (Chairman)	5/5	100%
Azhar Bin Mohamad	5/5	100%
Tan Sri Dr. Ong Hong Peng	5/5	100%
Tan Chong Liong	5/5	100%

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

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

- Support the Board in meeting the expectations on risk management as set out in the Risk Governance Policy Document; and
- In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the board remuneration committee.

**3. REMUNERATION COMMITTEE**

The Remuneration Committee ("RC") comprises of three (3) INEDs and one (1) NINED, and Chairman is an INED. A total of three (3) meetings were held during the financial year ended 31 December 2018 and the details of attendance of each member of the RC meeting is 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	3/3	100%
Tan Chong Liong	3/3	100%

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

- Recommend a framework of remuneration for Directors, CEO and key senior officers of the Company;
- Recommend specific remuneration packages of Directors, CEO and key senior officers. This is to ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the caliber 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 financial institution's remuneration system as set out in the Corporate Governance Policy Document; and
- 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**4. NOMINATION COMMITTEE**

The Nomination Committee ("NC") comprises of three (3) INEDs and one (1) NIED, and Chairman is an INED. A total of six (6) meetings were held during the financial year ended 31 December 2018 and the details of attendance of each member of the NC meeting is as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Tan Sri Dr. Ong Hong Peng (Chairman)	6/6	100%
Datuk Yong Bun Fou	6/6	100%
Katsuyuki Tajiri <sup>#1</sup>	3/3 *	100%
Dato' Loh Lye Ngok <sup>#2</sup>	3/3 *	100%
Ahmad Subri Bin Abdullah	6/6	100%
Tan Chong Liong	3/3 *	100%
Daniel Neo <sup>#3</sup>	3/3 *	100%

*#1 Resigned on 25 May 2018*

*#2 Ceased on 25 May 2018*

*#3 Appointed on 25 May 2018*

*\* Reflects the attendance and the number of meetings held during the period the Directors held office.*

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, mix and composition, and the mix and 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 key senior officers of the Company;
- Ensure that all Directors undergo appropriate induction programmes and receive continuous training; and
- Oversees the management succession planning of the Company.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**5. INVESTMENT COMMITTEE**

The Investment Committee ("IC") comprises of three (3) INEDs, one (1) NINED and one (1) NIED, and Chairman is a NINED. A total of five (5) meetings were held during the financial year ended 31 December 2018 and the details of attendance of each member of the IC meeting is as follows:

<b>Name of Directors</b>	<b>Total meetings attended</b>	<b>Percentage of attendance (%)</b>
Tan Chong Liong (Chairman)	5/5	100%
Azhar Bin Mohamad	5/5	100%
Datuk Yong Bun Fou	5/5	100%
Tan Sri Dr. Ong Hong Peng	5/5	100%
Dato' Loh Lye Ngok <sup>#1</sup>	1/1 *	100%
Katsuyuki Tajiri <sup>#2</sup>	1/1 *	100%
Daniel Neo <sup>#3</sup>	4/4 *	100%

*#1 Ceased as Director on 25 May 2018*

*#2 Resigned as Director on 25 May 2018*

*#3 Appointed as a member on 25 May 2018*

*\* Reflects the attendance and the number of meetings held during the period the Directors held office.*

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 investments are made 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);



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**5. INVESTMENT COMMITTEE (CONT'D.)**

- 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.

**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 Director which oversees the Senior Management's activities in managing the company's Tier 1 Risks and to ensure the risk management and compliance process is 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 has the responsibilities of assisting 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 terms of reference, approved by the Board, in discharging its roles and responsibilities.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**Internal Audit Function**

The Internal Audit Department ("IAD") of the Company is established to provide independent and objective assurance to the AC, Board and 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.

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

- (a) in accordance with the Company 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 analyses, 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 were formed to assist in managing the day-to-day operations for developed tactical strategies, ensure activities were carried out in accordance within 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 and/or as and when necessary.

- **Corporate Independence**

The Company complies with the Guidelines on Related Party Transaction. Necessary disclosures have been made to the Board and when required, prior Board's approval has been obtained. All material related party transactions have been disclosed in Note 25 to the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(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 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 from 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 chaired by the CEO are conducted on monthly basis to review business development, financial performance and deliberation of management and corporate matters.

- **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 is 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 make related strategic recommendations to the IC to achieve the Company's targeted investment returns.

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

The ITSC is chaired by the CEO. 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 RMWC and responsible to effectively implement the BCM policy and strategies set out by the Board.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(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, it 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**

1. Rate for the job

All jobs must be rated and paid based on job complexity, skills required, job size, etc. Only then, will the employees enjoy pay equity.

2. Merit based

A merit-based system forms 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: -

1. Key Performance Indicators ("KPIs") - Performances based on agreed targets.
2. Competencies - 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/peers practices, laws and regulations.
- The Remuneration Policy shall safeguard the long-term financial stability and value creation of the Company and shall be aligned with the Company's risk management principles and practices.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**Review of Remuneration Policy**

- The establishment of the Remuneration Policy, with inputs from the control functions, must be assessed by the Remuneration Committee before recommendation to the Board for approval. The Board will play an active oversight role to ensure that the Remuneration Policy forms a key component of the governance and incentive structure and operates to achieve the goals of the Company.
- The Board will also review the Remuneration Policy on a periodic basis, at least on an annual basis, to ensure that any changes, especially material changes to the Remuneration Policy are in line with the Corporate Governance Policy Document.

**Composition of Remuneration**

1. The composition of remuneration shall contain the three (3) rewards elements: -
  - a. Salary and Salary Increments
  - b. Performance Bonus
  - c. Other benefits
2. 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.
3. The 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.
4. Both bonus and salary increments are distributed and paid on an annual basis.
5. For "other benefits", it is provided for under the Company's Human Resource Policy. These benefits come in the form of monetary as well as non-monetary.

**Salary**

Salary is basically determined through a rating of the job or in other words, a valuation of the position. The job is evaluated in terms of job size, job skills, job complexity etc, and then rated against the market by making reference to surveyed market salary pay-lines.

**Salary Increment**

The payment of salary increment will be at the discretion of the Company. The amount of salary increment will be based on the individual's performance and the Company's profitability and affordability.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**Methodology of Salary Increment**

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.

**Performance Bonus**

The bonus payment is not guaranteed, and if declared by the Company shall be based on the Company's and individual employee's performance, e.g. the individual employee's KPIs as assessed by their respective superior through a face-to-face appraisal interview at the end of the annual calendar year or the Company's business cycle year i.e. 1 January to 31 December. Payment of bonus shall be at the sole discretion of the Company.

**Methodology of Performance Bonus Reward**

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

**Staff Assessment - Corporate Governance Policy**

The Board is to assess the performance and approve the remuneration of CEO and Key Responsible Persons ("KRP") as well as the control function heads, company secretary and appointed actuary.

**Key Responsible Persons ("KRP")**

The list of KRPs is as below: -

1. Chief Executive Officer ("CEO")
2. Deputy Chief Executive Officer ("DCEO")
3. Chief Distribution Officer ("CDO")
4. Chief Financial Officer ("CFO")
5. Chief Operating Officer ("COO")
6. Chief Risk Officer ("CRO")
7. Chief Technical Officer ("CTO")
8. Senior Advisor
9. Head of Human Resources
10. Head of Compliance
11. Head of Commercial Business - HQ
12. Head of Internal Audit
13. Appointed Actuary
14. Company Secretary

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is the underwriting of general insurance business.

**RESULTS**

	RM'000
Net profit for the year	<u>60,420</u>

There were no material transfers to or from reserves 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 Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDENDS**

No dividend has been paid or declared since the end of the previous financial period.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

**DIRECTORS OF THE COMPANY**

Directors who served since beginning of the year to date of this report are as follow:

Name of Directors

Azhar Bin Mohamad (INED/Chairman)

Datuk Yong Bun Fou (INED)

Ahmad Subri Bin Abdullah (INED)

Tan Sri Dr. Ong Hong Peng (INED)

Tan Chong Liong (NINED)

Daniel Neo (NIED) – appointed on 25 May 2018

Dato' Loh Lye Ngok (NIED) - ceased on 25 May 2018

Katsuyuki Tajiri (NIED) - resigned on 25 May 2018

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONT'D.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 period, 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 22 and Note 25 to the financial statements or the fixed salary of a full time employee of the Company) 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 Company has maintained a Directors' and Officers' Liability ("D&O") Insurance for the Company up to an aggregate limit of RM20 million with premium paid of RM32,000 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.

**OTHER STATUTORY INFORMATION**

1. Before the statement of financial position and income statement of 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 provision for doubtful debts, and that all known bad debts had been written off and that adequate provision 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.



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONT'D.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 provision for doubtful debts in the statement of financial position and income statement of the Company inadequate to any substantial extent; and
  - b. the values attributed to the current assets in the financial statements of the Company misleading.
3. At the date of this report, the Directors are not aware of any circumstances which would render adherence to the existing method of valuation of assets or liabilities of 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 financial statements of 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 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 Company which has arisen since the end of the financial year.
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 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 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 Company.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONT'D.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

7. Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was 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**

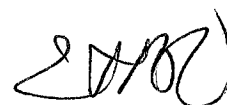
The auditors, Ernst & Young, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 22 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2019.



Azhar Bin Mohamad



Datuk Yong Bun Fou

**BERJAYA SOMPO INSURANCE BERHAD**  
(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 30 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its results and cash flows for the year ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2019.



Azhar Bin Mohamad



Datuk Yong Bun Fou

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

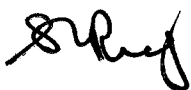
I, Tan Sek Kee, being the officer primarily responsible for the financial management of Berjaya Sampo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 107 are in my opinion correct, and I make this solemn declaration conscientiously 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 22 MAR 2019



Tan Sek Kee

Before me,



Level 9, Menara Bangkok Bank  
Berjaya Central Park  
No. 105, Jalan Ampang  
50450 Kuala Lumpur

62605-U

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

**Report on the Financial Statements**

*Opinion*

We have audited the financial statements of Berjaya Sampo Insurance Berhad, which comprise the statement of financial position as at 31 December 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2018, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 30 to 107.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its 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 Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("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 Company and our auditors' report thereon.

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

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.)*

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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, 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 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 Company that are free from material misstatement, whether due to fraud or error.

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements 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.



62605-U

**Independent auditors' report to the members of  
Berjaya Sompo 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

62605-U

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

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*  
Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia  
15 March 2019



Brandon Bruce Sta Maria

No. 02937/09/2019 J

Chartered Accountant

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
<b>ASSETS</b>			
Property and equipment	3	97,472	101,003
Intangible assets	4	29,259	22,740
Investment properties	5	23,930	23,730
Investments	6	1,469,865	1,352,794
Reinsurance assets	7	300,621	281,552
Insurance receivables	8	104,471	93,554
Other receivables	9	79,623	64,925
Tax recoverable		-	3,986
Cash and cash equivalents	11	123,943	77,407
<b>TOTAL ASSETS</b>		<b>2,229,184</b>	<b>2,021,691</b>
<b>EQUITY</b>			
Share capital	12	118,000	118,000
Available-for-sale fair value reserve		19,955	31,063
Retained profits		713,056	652,636
<b>TOTAL EQUITY</b>		<b>851,011</b>	<b>801,699</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	13	1,204,664	1,063,766
Deferred tax liabilities	10	436	6,698
Tax payable		3,094	-
Insurance payables	14	76,282	83,020
Other payables	15	93,697	66,508
<b>TOTAL LIABILITIES</b>		<b>1,378,173</b>	<b>1,219,992</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,229,184</b>	<b>2,021,691</b>

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



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
Gross earned premiums	16(a)	842,548	770,083
Earned premiums ceded to reinsurers	16(b)	(133,027)	(172,113)
<b>Net earned premiums</b>		<u>709,521</u>	<u>597,970</u>
Investment income	17	61,195	54,537
Net realised gains	18	3,816	4,113
Fair value losses	19	(7,949)	(7,116)
Commission income		35,266	42,133
Other operating income	20	132	972
<b>Other revenue</b>		<u>92,460</u>	<u>94,639</u>
Gross claims paid	21(a)	(453,419)	(447,658)
Claims ceded to reinsurers	21(b)	78,072	70,376
Gross change in contract liabilities	21(c)	(77,479)	(74,886)
Change in contract liabilities ceded to reinsurers	21(d)	(4,258)	42,836
<b>Net claims incurred</b>	21	<u>(457,084)</u>	<u>(409,332)</u>
Commission expenses		(107,016)	(96,490)
Management expenses	22	(167,349)	(132,257)
<b>Other expenses</b>		<u>(274,365)</u>	<u>(228,747)</u>
<b>Profit before tax</b>		70,532	54,530
Tax expense	23	(10,112)	(6,420)
<b>Net profit for the year</b>		<u>60,420</u>	<u>48,110</u>
<b>Earnings per share (sen)</b>			
- Basic and Diluted	24	<u>51.2</u>	<u>40.8</u>

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

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
<b>Net profit for the year</b>		60,420	48,110
Other comprehensive income:			
Items that may be reclassified to Income Statement in subsequent periods:			
Available-for-sale fair value reserve:			
Net unrealised (loss)/ gain on fair value changes		(11,361)	8,141
Realised (loss)/ gain transferred to income statement upon disposal		(3,255)	2,394
		(14,616)	10,535
Tax effects	10	3,508	(2,528)
		(11,108)	8,007
<b>Total comprehensive income for the year</b>		<u>49,312</u>	<u>56,117</u>

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

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Non-distributable Available-for -sale		Distributable	
	Share capital RM'000	fair value reserve RM'000	Retained profits RM'000	Total equity RM'000
<b>At 1 January 2017</b>	<b>118,000</b>	<b>23,056</b>	<b>604,526</b>	<b>745,582</b>
Net profit for the year	-	-	48,110	48,110
Other comprehensive income for the year	-	8,007	-	8,007
Total comprehensive income for the year	-	8,007	48,110	56,117
<b>At 31 December 2017</b>	<b>118,000</b>	<b>31,063</b>	<b>652,636</b>	<b>801,699</b>
<b>At 1 January 2018</b>	<b>118,000</b>	<b>31,063</b>	<b>652,636</b>	<b>801,699</b>
Net profit for the year	-	-	60,420	60,420
Other comprehensive loss for the year	-	(11,108)	-	(11,108)
Total comprehensive income for the year	-	(11,108)	60,420	49,312
<b>At 31 December 2018</b>	<b>118,000</b>	<b>19,955</b>	<b>713,056</b>	<b>851,011</b>

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

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOWS STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
<b><u>Operating activities</u></b>			
<b>Cash flows generated from Operating activities:</b>			
Profit before tax		70,532	54,530
Investment income	17	(61,458)	(54,796)
Amortisation of premium	17	263	259
Sundry income	20	(108)	(1,348)
Realised gains on AFS investments	18	(3,700)	(3,940)
Gain on disposal of property and equipment	18	(116)	(173)
Fair value (gain)/loss on FVTPL financial assets recorded in income statement	19	(4,326)	232
Fair value gain on investment properties	19	(200)	(3,553)
Allowance for/(write-back of) impairment losses:			
Investments	19	12,475	10,437
Insurance Receivables	22	1,613	(1,791)
Loss on disposal of intangible assets	22	-	36
Property and equipment written off	22	8	9
Bad debts written off	22	8	91
Depreciation on property and equipment	22	5,322	5,144
Amortisation on intangible assets	22	3,912	2,250
Operating cash flows before working capital changes		24,225	7,387
(Increase) in insurance receivables		(12,537)	(19,883)
(Increase)/decrease in other receivables		(12,229)	15,529
(Increase) in reinsurance assets		(19,069)	(34,765)
(Increase) in loans and receivables		(61,820)	(3,180)
Increase in insurance contract liabilities		140,898	81,031
(Decrease)/increase in insurance payables		(6,738)	25,102
Increase in other payables		27,189	27,644
		55,694	91,478
Dividend/distribution income received		38,341	34,874
Interest income received		18,266	17,326
Rental income received		2,487	1,337
Income tax paid		(5,786)	(10,774)
Net cash flows generated from operating activities		133,227	141,628

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOWS STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D.)**

	Note	2018 RM'000	2017 RM'000
<b><u>Investing activities</u></b>			
<b>Cash flows generated from investing activities</b>			
Purchase of property and equipment	3	(1,810)	(2,663)
Purchase of intangible assets	4	(10,431)	(9,113)
Proceeds from sale of property and equipment		127	229
Proceeds from sale of intangible assets		-	24
Purchase of financial assets		(235,786)	(525,063)
Proceeds from sale of financial assets		161,209	350,982
Net cash flows used in investing activities		<u>(86,691)</u>	<u>(185,604)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		46,536	(43,976)
<b>Cash and cash equivalents at beginning of year</b>	11	<u>77,407</u>	<u>121,383</u>
<b>Cash and cash equivalents at end of year</b>	11	<u>123,943</u>	<u>77,407</u>

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

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**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. There has been no significant change in the nature of the principal activity 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 15 March 2019.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The financial statements of 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 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 statement 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 income statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000) except when indicated otherwise.

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

On 1 January 2018, the Company adopted the following new and amended MFRSs and Interpretation mandatory for annual financial periods beginning on or after 1 January 2018.

<b>Description</b>	<b>Effective for annual periods on or after</b>
<ul style="list-style-type: none"> <li>• MFRS 9, Financial Instruments</li> <li>• MFRS 15, Revenue from Contracts with Customers</li> <li>• Amendments to MFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters</li> <li>• Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions</li> <li>• Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</li> <li>• Amendments to MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice</li> <li>• Amendments to MFRS 140 Transfers of Investment Property</li> <li>• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration</li> </ul>	<p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p> <p>1 January 2018</p>

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

The adoption of the new pronouncements above during the year did not result in any material financial impact to the financial statements except as discussed below:

**MFRS 9, Financial Instruments**

The Company has elected to apply a temporary exemption from MFRS 9 as its 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 Company will continue to use MFRS 139 Financial Instruments: Recognition and Measurement in respect of its financial assets and financial liabilities, rather than MFRS 9 for annual periods beginning before 1 January 2021.

As the Company has elected to apply temporary exemption from MFRS 9, it is required to provide disclosures to enable users of its financial statements:

- (a) To understand how the Company qualified for the temporary exemption; and
- (b) To compare the Company with other entities applying MFRS 9.

To comply with the above, the following disclosures have been made:

- (a) As the carrying amount of the Company's liabilities arising from contracts within MFRS 4 is more than 90% (2018: 93%; 2017: 94%) therefore the Company qualifies for temporary exemption from MFRS 9;
- (b) The fair value at the end of the reporting period and the amount of change in the fair value during that period for financial assets with contractual terms that are solely payments of principal and interest on the principal amount outstanding and other financial assets that are not solely payments of principal and interest on the principal amount outstanding as shown below; and



**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

**MFRS 9, Financial Instruments (Cont'd.)**

	Fair value as at 1 January 2018 RM'000	Change in fair value RM'000	Fair value as at 31 December 2018 RM'000	Results of the cash flow characteristics test	Classification and measurement under MFRS 9
<b>Financial assets at FVTPL</b>					
Warrant	66	(66)	-	-	-
<b>HTM financial assets</b>					
Corporate Bonds	14,806	(4,931)	9,875	SPPI	AC
<b>AFS financial assets</b>					
Equity Securities					
- Quoted in Malaysia	114,762	(32,181)	82,581	Non-SPPI	FVTPL
- Quoted outside Malaysia	152	(152)	-	Non-SPPI	FVTPL
- Unquoted	118	-	118	Non-SPPI	FVTPL
Unit Trust Funds	911,408	92,673	1,004,081	Non-SPPI	FVTPL
Malaysian Government Securities	5,054	(83)	4,971	SPPI	FVOCI
Corporate Bonds	6,085	(49)	6,036	Non-SPPI	FVTPL
Corporate Bonds	281,323	113	281,436	SPPI	FVOCI
<b>LAR</b>					
Fixed and call deposits	18,807	(18,001)	806	SPPI	AC
Insurance receivables	93,554	10,917	104,471	SPPI	AC
Other receivables	64,925	14,698	79,623	SPPI	AC
	39				

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

**MFRS 9, Financial Instruments (Cont'd.)**

- (c) The credit risk ratings for the financial assets with contractual terms that are solely payments of principal and interest on the principal amount outstanding.

The following table shows the fair value of financial assets of the Company by credit quality:

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
HTM financial assets						
Corporate Bonds	10,015	-	-	-	-	10,015
AFS financial assets						
Malaysian Government Securities	-	-	-	-	4,971	4,971
Corporate Bonds	33,605	235,847	4,994	-	6,990	281,436
LAR						
Fixed and call deposits	-	55,449	-	25,178	-	80,627
Insurance receivables *	-	-	39	-	119,217	119,256
Other receivables *	-	-	-	-	79,623	79,623
Cash and cash equivalents	50,973	34,556	6,442	31,924	48	123,943
	94,593	325,852	11,475	57,102	210,849	699,871

\* These financial assets do not have low credit risk. The "gross" carrying amount (before impairment allowances) approximate fair value measured in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**MFRS 15, Revenue from Contracts with Customers**

Under MFRS 15, an entity recognises revenue when the "contract" of the goods and services is transferred to customers. When either party to a contract has performed its obligation by transferring a promised goods or services to a customer, the entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. Any unconditional rights to consideration shall be presented in the statement of financial position as receivable.

With the implementation of MFRS 15, an assessment was carried out on the Company's revenue streams, of which the Company has concluded that MFRS 15 does not have a significant impact on the financial statements based on the assessment result below: -.

- (a) 92% (2017:90%) of revenue is from insurance contracts which is covered by MFRS 4 *Insurance Contracts*.
- (b) 7.8% (2017:7%) of revenue is from investment income net of expenses covered by MFRS 139 *Financial Instruments: Recognition and Measurement*.
- (c) 0.1% (2017:2%) of revenue is from rental income covered by MFRS 16 *Leases*.
- (d) 0.1% (2017:1%) of revenue is from other income.

The company has concluded that MFRS 15 does not have a significant impact on its financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**2.2 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 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 income statement during the financial year in which they are 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 2.2 (d).

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, fittings and 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 income statement.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(b) Intangible assets**

The intangible assets of 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.

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 income statement.

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) 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(c) Investment properties (cont'd.)**

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.

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

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 income statement in the year in which they arise.

**(d) 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.

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 income statement 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 income statement.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(e) Financial instruments**

Financial instruments are recognised in the statements of financial position when the Company has 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. Interest, dividends, gains and losses relating to a financial instrument classified as a financial asset or financial liability, are reported as expense or income.

The Company categorises and measures 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 includes 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(e) Financial instruments (Cont'd.)**

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

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 income statement. Net gains or net 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 income statement as part of other expenses or other income and investment income respectively.

FVTPL includes warrants as described in Note 6(a).

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

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has 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 income statements when the investments are derecognised or impaired, as well as through the amortisation process.

HTM includes Corporate Bonds as described in Note 6(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 2.2 (j).



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(e) 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 available-for-sale financial assets. After initial measurement, available-for-sale 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 income statement.

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

AFS includes Equity securities, Unit Trust Funds, Malaysian Government Securities and Corporate Bonds as described in Note 6(d).

**(ii) Financial liabilities**

Trade 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.

**(f) Fair value measurement**

The Company measures 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.

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

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(f) Fair value measurement (Cont'd)**

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 Company uses 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 Company are categorised as Level 3. The 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 Company determines 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.

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.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

**(g) Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**Financial assets carried at amortised cost ("AC")**

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 income statement.

The Company first assesses 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 income statement.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**AFS financial assets**

When assessing the impairment of equity instruments, the Company considers, 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(g) 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 income statement.

Impairment losses on AFS equity instruments are not reversed in income statement 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.

**(h) 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 and the recognition of the new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(i) Equity instruments**

Ordinary shares are classified as equity in the statement 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. Interim 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.

**(j) 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 Company reduces the carrying amount of the insurance receivables accordingly and recognises an impairment loss in the income statement.

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

**(k) Reinsurance**

The Company cedes 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

**(k) Reinsurance (Cont'd.)**

Ceded reinsurance arrangements do not relieve 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 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 Company will receive from reinsurer. The impairment loss is recorded in the income statement.

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.

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

**(l) Product Classification**

The Company currently only issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has 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 Company determines 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 expire.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(l) Product Classification (Cont'd.)**

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 premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts. Investment contracts are those contracts that do not transfer significant insurance risk.

**(m) 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.

**(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 statement 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 on 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 insurer's 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(m) General Insurance underwriting results (Cont'd.)**

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

**Unexpired risk reserves ("URR")**

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 are determined based on valuation performed by Appointed Actuary.

**Unearned premium reserves ("UPR")**

UPR represent 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 occurring 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.



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(m) General Insurance underwriting results (Cont'd.)**

**(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.

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

**(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 income statement in the period in which they incurred.

**(n) 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 2.2 (m)(ii), (iii) and (iv).

**(o) Leases**

**(i) Operating Lease**

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(o) Leases (Cont'd.)**

**(i) Operating Lease (Cont'd.)**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(ii) Finance Lease - the Company as lessor**

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the profit rate implicit in the lease, when it is impracticable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct cost is also added to the carrying amount of such assets.

**(iii) Finance Lease - the Company as lessee**

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit and loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each reporting date.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.2(a).

**(p) Other revenue recognition**

Revenue is recognized when 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 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(p) Other revenue recognition (Cont'd.)**

For each separate performance obligation, 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 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).

**(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.

**(q) 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(q) 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 income statement, 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.

**(r) Goods and Services Tax ("GST") / Sales and Service Tax ("SST")**

Under the GST regime, the revenues, expenses and assets are recognized net of the amount of GST except where GST incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the GST is recognized as expense in profit or loss.

GST Act 2014 was repealed and replaced by Sales and Service Tax ("SST") Act 2018 effective from 1 September 2018. SST is chargeable on prescribed taxable services. Any SST incurred for purchase of assets and expenses are not recoverable from the tax authority. Consequently, the SST incurred are recognized as an expense in profit or loss.

GST and SST is disclosed in the statement of financial position as part of other receivables or other payables and represents amounts recoverable from or payable to the tax authority.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(s) 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 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.

**(ii) Defined contribution plan**

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

**(t) 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 income statement. The currencies giving rise to these differences are primarily United States Dollar (USD) and Singapore Dollar (SGD).

**(u) 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 purpose.

**2.3 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 Company's accounting policies that have the most significant effects on the amounts recognised in the financial statements.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**2.3 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**

The Company has 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.

If these portions could be sold separately (or leased out separately under a finance lease), 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 Company evaluates, 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 Company impaired quoted equity instruments in accordance with the Company's internal investment policy amounting to RM12,475,293 (2017: RM10,436,612).

**(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 2018, deferred tax assets recognised by the Company amounted to RM12,609,848 (2017: RM11,228,269) as disclosed in Note 10.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

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

**(iv) Impairment of insurance receivables**

The Company assesses at the end of each reporting date, for any objective evidence of impairment of its financial assets. A 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. The Company also provides 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 Company will recognise the impairment loss in the income statement. The total amount of impairment loss recognised in respect of insurance receivables at 31 December 2018 amounted to RM14,784,457 (2017:RM13,172,213) as disclosed in Note 8.

**(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 Company's general insurance business arises from the technical provisions which include the provisions of premium and claim liabilities as described in note 2.2 (m). 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 Company's projections. The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**2.3 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.)**

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 Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. 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 assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

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 Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

Note 27(b) provides sensitivity analysis of the effects of changes in key assumptions on the insurance contract liabilities of the Company including the consequential effects on profit or loss and equity.

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

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. 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 RBC Framework issued by BNM. As and when more information becomes available regarding a claim, the reserve is updated accordingly.



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

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

**(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 average past two years trend 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 at 31 December 2018 amounted to RM2,445,041 (2017: RM2,082,215).

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

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

**Description**

MFRS 16 Leases	1 January 2019
Amendments to MFRS 3 Business Combinations	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11 Joint Arrangements	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 112 Income Taxes	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)	1 January 2019
Amendments to MFRS 123 Borrowing Costs	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidation Financial Statements and MFRS 128 Investment in Associate and Joint Ventures	To be announced by MASB

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

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

**MFRS 16 Leases**

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

In addition, the nature of expenses related to those leases will now change as MFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Company is in the midst of assessing on the impact of adopting MFRS 16.

**MFRS 17 Insurance Contracts**

In August 2017, MFRS 17 was issued. It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, and which will replace MFRS 4.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. The Company plans to adopt the new standard on the required effective date together with MFRS 9. A Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on results and total equity together with the Company's financial statements presentation and disclosures. The Company has completed its gap assessments and planning for implementation stage in 2019.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**3. PROPERTY AND EQUIPMENT**

	<b>* Land and buildings RM'000</b>	<b>Furniture, fittings, office equipment and computers RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January 2017	92,885	31,977	2,717	127,579
Additions	-	1,883	780	2,663
Reclassification to Investment Properties (Note 5)	(2,700)	-	-	(2,700)
Disposals	-	(1,432)	(629)	(2,061)
Write-offs	-	(419)	-	(419)
At 31 December 2017	90,185	32,009	2,868	125,062
At 1 January 2018	90,185	32,009	2,868	125,062
Additions	-	1,654	156	1,810
Disposals	-	(907)	(465)	(1,372)
Write-offs	-	(99)	-	(99)
At 31 December 2018	90,185	32,657	2,559	125,401
<b>Accumulated depreciation</b>				
At 1 January 2017	4,489	16,080	1,314	21,883
Charge for the year	1,803	2,902	439	5,144
Reclassification to Investment Properties (Note 5)	(553)	-	-	(553)
Disposals	-	(1,413)	(592)	(2,005)
Write-offs	-	(410)	-	(410)
At 31 December 2017	5,739	17,159	1,161	24,059
At 1 January 2018	5,739	17,159	1,161	24,059
Charge for the year	1,803	3,032	487	5,322
Disposals	-	(902)	(459)	(1,361)
Write-offs	-	(91)	-	(91)
At 31 December 2018	7,542	19,198	1,189	27,929
<b>Net carrying amount</b>				
At 31 December 2017	84,446	14,850	1,707	101,003
At 31 December 2018	82,643	13,459	1,370	97,472

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**\* Land and buildings**

	<b>Freehold properties RM'000</b>	<b>Long-term leasehold properties RM'000</b>	<b>Total RM'000</b>
<b>Company</b>			
<b>Cost</b>			
At 1 January 2017	86,265	6,620	92,885
Reclassification to Investment Properties (Note 5)	-	(2,700)	(2,700)
At 31 December 2017	86,265	3,920	90,185
At 1 January 2018/ 31 December 2018	86,265	3,920	90,185
<b>Accumulated depreciation</b>			
At 1 January 2017	3,265	1,224	4,489
Charge for the year	1,725	78	1,803
Reclassification to Investment Properties (Note 5)	-	(553)	(553)
At 31 December 2017	4,990	749	5,739
At 1 January 2018	4,990	749	5,739
Charge for the year	1,725	78	1,803
At 31 December 2018	6,715	827	7,542
<b>Net carrying amount</b>			
At 31 December 2017	81,275	3,171	84,446
At 31 December 2018	79,550	3,093	82,643

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**4. INTANGIBLE ASSETS**

	<b>Club membership RM'000</b>	<b>Computer software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2017	715	20,030	20,745
Additions	61	9,052	9,113
Disposals	(60)	-	(60)
Write-offs	-	(6)	(6)
At 31 December 2017	<u>716</u>	<u>29,076</u>	<u>29,792</u>
At 1 January 2018	716	29,076	29,792
Additions	22	10,409	10,431
Disposals	-	(32)	(32)
Write-offs	-	-	-
At 31 December 2018	<u>738</u>	<u>39,453</u>	<u>40,191</u>
<b>Accumulated amortisation</b>			
At 1 January 2017	-	4,808	4,808
Charge for the year	-	2,250	2,250
Disposals	-	-	-
Write-offs	-	(6)	(6)
At 31 December 2017	<u>-</u>	<u>7,052</u>	<u>7,052</u>
At 1 January 2018	-	7,052	7,052
Charge for the year	-	3,912	3,912
Disposals	-	(32)	(32)
Write-offs	-	-	-
At 31 December 2018	<u>-</u>	<u>10,932</u>	<u>10,932</u>
<b>Net carrying amount</b>			
At 31 December 2017	<u>716</u>	<u>22,024</u>	<u>22,740</u>
At 31 December 2018	<u>738</u>	<u>28,521</u>	<u>29,259</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**5. INVESTMENT PROPERTIES**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	23,730	18,030
Additions		
Reclassification from Land and Buildings (Note 3)	-	2,147
Fair value adjustment (Note 19)	200	3,553
At 31 December	<u>23,930</u>	<u>23,730</u>

Investment properties are stated at fair value in accordance with the policy described in Note 2.2(c) and has been determined based on valuations that reflect market conditions as at the reporting date, using the comparison method. 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 29.

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income derived from investment property	1,068	1,483
Direct operating expenses (including repairs and maintenance) generating rental income	(134)	(185)
Profit arising from investment property	<u>934</u>	<u>1,298</u>

**6. INVESTMENTS**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Securities	4,971	5,054
Corporate Bonds	297,487	302,427
Warrants	-	66
Equity securities	82,699	115,032
Unit trust funds/wholesale funds	1,004,081	911,408
Deposits with financial institutions	80,627	18,807
	<u>1,469,865</u>	<u>1,352,794</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

	2018 RM'000	2017 RM'000
Financial asset at fair value through profit or loss ("FVTPL")	-	66
Held-to-maturity financial assets ("HTM")	10,015	15,019
Loans and receivables ("LAR")	80,627	18,807
Available-for-sale financial assets ("AFS")	1,379,223	1,318,902
	<u>1,469,865</u>	<u>1,352,794</u>

**(a) Financial asset at FVTPL**

	2018 RM'000	2017 RM'000
<b>Fair Value</b>		
Held for trading ("HFT") : Warrants	-	66
	<u>-</u>	<u>66</u>

**(b) HTM financial assets**

	2018 RM'000	2017 RM'000
<b>Amortised Cost</b>		
Corporate Bonds	10,015	15,019
	<u>10,015</u>	<u>15,019</u>
<b>Fair Value</b>		
Corporate Bonds	9,875	14,806
	<u>9,875</u>	<u>14,806</u>

**(c) LAR**

	2018 RM'000	2017 RM'000
<b>Amortised Cost</b>		
Deposits with licensed financial institutions:		
- Commercial banks	80,627	18,807
	<u>80,627</u>	<u>18,807</u>

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

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**(d) AFS financial assets**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Fair Value</b>		
Equity securities:		
- Quoted in Malaysia	82,581	114,762
- Quoted outside Malaysia	-	152
Unit trust funds	1,004,081	911,408
Malaysian Government Securities	4,971	5,054
Corporate Bonds	<u>287,472</u>	<u>287,408</u>
	<u>1,379,105</u>	<u>1,318,784</u>
<b>Cost</b>		
Equity securities:		
- Unquoted in Malaysia	<u>118</u>	<u>118</u>
	<u>1,379,223</u>	<u>1,318,902</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.

**7. REINSURANCE ASSETS**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Reinsurance of insurance contracts		
Claims liabilities (Note 13)	247,245	251,503
Premium liabilities (Note 13)	<u>53,376</u>	<u>30,049</u>
	<u>300,621</u>	<u>281,552</u>



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**8. INSURANCE RECEIVABLES**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Due premiums including agents, brokers and co-insurers balances	111,530	96,102
Due from reinsurers and cedants	3,944	7,029
Due from related parties (Note 25)	3,782	3,595
	<u>119,256</u>	<u>106,726</u>
Allowance for impairment losses	(14,785)	(13,172)
	<u>104,471</u>	<u>93,554</u>

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

	<b>Gross carrying amount</b>	<b>Gross amounts offset in the Statement of Financial Position</b>	<b>Net amounts in the Statement of Financial Position</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2018</b>			
Premiums	25,275	(22,863)	2,412
Claims	12,162	(10,630)	1,532
	<u>37,437</u>	<u>(33,493)</u>	<u>3,944</u>
<b>31 December 2017</b>			
Premiums	232,371	(232,222)	149
Claims	39,398	(32,518)	6,880
	<u>271,769</u>	<u>(264,740)</u>	<u>7,029</u>

**Receivables that are impaired**

The movement of the allowance accounts used to record the impairment loss and the analysis of the Company's insurance receivables that are individually and collectively impaired at the reporting date are as follows:

	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Movement in allowance account</b>			
At 1 January 2017	1,521	13,442	14,963
Allowance for/(write-back of) impairment loss	625	(2,416)	(1,791)
Reversal of allowance for impairment losses	-	(91)	(91)
Bad debts written-off net of recovery	-	91	91
At 31 December 2017	<u>2,146</u>	<u>11,026</u>	<u>13,172</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**Receivables that are impaired (Cont'd.)**

The movement of the allowance accounts used to record the impairment loss and the analysis of the Company's insurance receivables that are individually and collectively impaired at the reporting date are as follows: (Cont'd.)

<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 2018	2,146	11,026	13,172
Allowance for impairment loss	151	1,462	1,613
Reversal of allowance for impairment losses	-	(8)	(8)
Bad debts written-off net of recovery	-	8	8
At 31 December 2018	<u>2,297</u>	<u>12,488</u>	<u>14,785</u>

Trade 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.

**9. OTHER RECEIVABLES**

	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Other receivables and deposits	15,553	7,713
Share of other assets held under Malaysian Motor Insurance Pool ("MMIP") (net)*	47,029	53,403
Staff loans **	16	30
Interest income due and accrued	14,427	3,514
Due from related parties (Note 25)	<u>2,598</u>	<u>265</u>
	<u>79,623</u>	<u>64,925</u>

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

\* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its proportionate share of net assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's proportionate share of the Pool's net assets, before insurance contract liabilities. The Company's proportionate share of the Pool's insurance contract liabilities is disclosed in Note 13.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

The net assets held under MMIP of the Company also includes cumulative net cash contributions paid to MMIP of RM21,859,477 (2017 : RM25,359,477) and refund from MMIP of RM3,500,000.

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

**10. DEFERRED TAX LIABILITIES**

	2018 RM'000	2017 RM'000
At beginning of year	(6,698)	(5,655)
Recognised in AFS fair value reserve	3,508	(2,528)
Recognised in the income statement (Note 23)	2,754	1,485
At end of year	<u>(436)</u>	<u>(6,698)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	12,610	11,228
Deferred tax liabilities	<u>(13,046)</u>	<u>(17,926)</u>
	<u>(436)</u>	<u>(6,698)</u>

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

**Deferred tax assets**

	Premium liabilities RM'000	Other provision RM'000	Provision for impairment of investments RM'000	Total RM'000
At 1 January 2017	(215)	6,089	3,429	9,303
Recognised in the income statement	(115)	284	1,756	1,925
At 31 December 2017	<u>(330)</u>	<u>6,373</u>	<u>5,185</u>	<u>11,228</u>
At 1 January 2018	(330)	6,373	5,185	11,228
Recognised in the income statement	230	(309)	1,461	1,382
At 31 December 2018	<u>(100)</u>	<u>6,064</u>	<u>6,646</u>	<u>12,610</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**10. DEFERRED TAX LIABILITIES (CONT'D.)**

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 2017	(129)	(7,282)	(7,547)	(14,958)
Recognised in AFS fair value reserve	-	(2,528)	-	(2,528)
Recognised in the income statement	(131)	-	(309)	(440)
At 31 December 2017	(260)	(9,810)	(7,856)	(17,926)
At 1 January 2018	(260)	(9,810)	(7,856)	(17,926)
Recognised in AFS fair value reserve	-	3,508	-	3,508
Recognised in the income statement	(134)	-	1,506	1,372
At 31 December 2018	(394)	(6,302)	(6,350)	(13,046)

**11. CASH AND CASH EQUIVALENTS**

	2018 RM'000	2017 RM'000
Fixed and call deposits with licensed financial institutions (with original maturity of less than three months)	91,903	50,396
Cash and bank balances	32,040	27,011
	<u>123,943</u>	<u>77,407</u>
Fixed and call deposits were placed with:		
- Investment banks	12,614	4,635
- Commercial banks	79,289	45,761
	<u>91,903</u>	<u>50,396</u>

**12. SHARE CAPITAL**

	Number of ordinary shares		Amount	
Company	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At beginning/end of year	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**13. INSURANCE CONTRACT LIABILITIES**

Note	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	521,493	(167,211)	354,282	489,702	(180,652)	309,050
Provision for IBNR	282,388	(80,034)	202,354	236,700	(70,851)	165,849
Claim liabilities	803,881	(247,245)	556,636	726,402	(251,503)	474,899
Premium liabilities	400,783	(53,376)	347,407	337,364	(30,049)	307,315
Insurance contract liabilities	1,204,664	(300,621)	904,043	1,063,766	(281,552)	782,214
(a) Claim liabilities						
At 1 January	726,402	(251,503)	474,899	651,516	(208,667)	442,849
Claims incurred for the current accident year	530,898	(73,814)	457,084	522,544	(113,212)	409,332
Adjustment to claims incurred in prior accident years (direct & facultative)						
Movement in MMIP claims liabilities	527,664	(74,368)	453,297	520,725	(110,947)	409,778
Claims incurred during the year	(5,330)	-	(5,330)	(7,687)	-	(7,687)
(treaty inwards claims)	(185)	-	(185)	(305)	-	(305)
Movement in Fund PRAD of claims liabilities at 75% confidence level	8,961	554	9,514	7,137	(2,265)	4,872
Movement in claims handling expenses	(212)	-	(212)	2,674	-	2,674
Claims paid during the year	(453,419)	78,072	(375,347)	(447,658)	70,376	(377,282)
At 31 December	803,881	(247,245)	556,636	726,402	(251,503)	474,899

The reinsurance assets is stated net of accumulated individual impairment losses of RM 0.9 million (2017 : RM1.0 million).

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

	2018		2017	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
<b>(b) Premium liabilities</b>				
<b>At 1 January</b>	337,364	(30,049)	307,315	331,219
Premiums written during the year	905,967	(156,354)	749,613	776,228
Premiums earned during the year	(842,548)	133,027	(709,521)	(770,083)
<b>At 31 December</b>	<b>400,783</b>	<b>(53,376)</b>	<b>347,407</b>	<b>337,364</b>
				<b>(30,049)</b>
				<b>293,099</b>
				<b>612,186</b>
				<b>(597,970)</b>
				<b>307,315</b>

As at 31 December 2018, the insurance contract liabilities above includes the Company's proportionate share of MMIP's claim and premium liabilities amounting to RM37,476,500 (2017: RM42,806,592) and RM3,198,582 (2017: RM3,719,106) respectively.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**14. INSURANCE PAYABLES**

	2018 RM'000	2017 RM'000
Amount due to agents, brokers, insureds and co-insurers	26,068	33,677
Amount due to reinsurers and ceding companies	44,902	45,755
Amount due to related parties (Note 25)	5,312	3,588
	<u>76,282</u>	<u>83,020</u>

The Company's amount due to reinsurers and ceding companies that have been offset against amount due from the same 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>31 December 2018</b>			
Premiums	244,188	(189,181)	55,007
Claims	131	(10,236)	(10,105)
	<u>244,319</u>	<u>(199,417)</u>	<u>44,902</u>
<b>31 December 2017</b>			
Premiums	262,076	(224,289)	37,787
Claims	18,546	(10,578)	7,968
	<u>280,622</u>	<u>(234,867)</u>	<u>45,755</u>

**15. OTHER PAYABLES**

	2018 RM'000	2017 RM'000
Accrued liabilities	52,108	40,317
Other payables	21,196	1,553
Cash collateral held on behalf of insureds	4,705	5,833
Unallocated deposit	8,610	17,830
Amount due to related parties (Note 25)	7,078	975
	<u>93,697</u>	<u>66,508</u>

The carrying amounts of financial liabilities disclosed above approximate fair values at balance sheet date. All amounts are payable within a year.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**16. NET EARNED PREMIUMS**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Gross earned premiums</b>		
General insurance contracts	905,967	776,228
Change in premium liabilities	(63,419)	(6,145)
	<u>842,548</u>	<u>770,083</u>
<b>(b) Premiums ceded to reinsurers</b>		
General reinsurance contracts	(156,354)	(164,042)
Change in premium liabilities	23,327	(8,071)
	<u>(133,027)</u>	<u>(172,113)</u>
<b>Net Earned Premiums</b>	<u>709,521</u>	<u>597,970</u>

**17. INVESTMENT INCOME**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income from investment properties	934	1,298
Notional rental income	703	-
Interest income from HTM financial assets	768	768
Interest income from AFS financial assets	14,041	13,412
HTM financial assets amortisation of premiums, net of accretion of discounts	(263)	(259)
Dividend/distribution income from AFS financial assets	41,859	36,548
LAR fixed and call deposits interest income	4,220	3,310
Other investment income, net of investment expenses	(1,067)	(540)
	<u>61,195</u>	<u>54,537</u>

**18. REALISED GAINS OR LOSSES**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property and equipment</b>		
Realised gain	116	173
<b>AFS financial assets:</b>		
Realised gains:		
Equity securities	3,166	34
Unit trust	308	3,811
Malaysian Government Securities	28	173
Corporate Bonds	354	63



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**18. REALISED GAINS OR LOSSES (CONT'D.)**

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Realised losses:		
Unit trust	-	(8)
Malaysian Government Securities	(15)	(113)
Corporate Bonds	(141)	(20)
	<u>3,816</u>	<u>4,113</u>

**19. FAIR VALUE LOSSES**

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Fair value adjustment on investment properties (Note 5)	200	3,553
Fair value adjustment for FVTPL financial assets	4,326	(232)
Impairment loss on AFS financial assets	(12,475)	(10,437)
	<u>(7,949)</u>	<u>(7,116)</u>

**20. OTHER OPERATING INCOME**

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Realised gain/(loss) on foreign exchange	24	(376)
Sundry income (net of expenses)	108	1,348
	<u>132</u>	<u>972</u>

**21. NET CLAIMS INCURRED**

	<b>Note</b>	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
(a) Gross claims paid	13	(453,419)	(447,658)
(b) Claims ceded to reinsurers	13	78,072	70,376
(c) Gross change in contract liabilities		(77,479)	(74,886)
(d) Change in contract liabilities ceded to reinsurers		(4,258)	42,836
		<u>(457,084)</u>	<u>(409,332)</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**22. MANAGEMENT EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Employee benefits expense (Note22(a))	70,583	69,398
Non Executive Directors' fees and allowances (Note22(b)(iii))	622	296
Auditors' remuneration:		
- statutory audits	429	244
- regulatory related fees	48	48
- other services	6	85
Rental of properties	612	736
Depreciation of property and equipment	5,322	5,144
Property and equipment written-off	8	9
Intangible assets written-off	-	36
Amortisation of intangible assets	3,912	2,250
Allowance/(write back) of impairment losses on insurance receivables	1,613	(1,791)
Bad debts written-off	8	91
Computer service charges	15,603	16,662
Advertisement and promotion	38,635	10,349
Other expenses	29,948	28,700
	<u>167,349</u>	<u>132,257</u>

**(a) Employee benefits expense**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonus	57,184	57,599
Social security contributions	607	607
Contributions to defined contribution plan, EPF	8,950	8,490
Other benefits	3,842	2,702
	<u>70,583</u>	<u>69,398</u>

Included above is remuneration paid to the Chief Executive Officer ("CEO") and Executive Director of RM1,968,487 (2017: RM2,193,634) as further disclosed in Note 22(b).

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

The details of remuneration received/receivable during the financial year as included in Note 22(a) was as follows:

	2018 RM'000	2017 RM'000
<b>(i) Chief Executive Officer</b>		
Tan Sek Kee		
- Salaries	1,308	761
- Contribution to defined contribution plan, EPF	197	115
- Benefits-in-kind	31	25
	<u>1,536</u>	<u>901</u>
<b>(ii) Executive Director</b>		
Dato' Loh Lye Ngok (ceased as ED on 25 May 2018)		
- Salaries	355	940
- Bonus	-	112
- Contribution to defined contribution plan, EPF	53	158
- Benefits-in-kind	14	35
- Gratuity	-	38
- Allowance	10	10
	<u>432</u>	<u>1,293</u>
Total remuneration for CEO and Executive Director	<u>1,968</u>	<u>2,194</u>
<b>(iii) Non-Executive Directors</b>		
Directors' fees		
- Azhar Bin Mohamad	119	78
- Datuk Yong Bun Fou	85	54
- Ahmad Subri Bin Abdullah	85	50
- Tan Sri Dr. Ong Hong Peng	85	25
- Tan Chong Liong	81	24
	<u>455</u>	<u>231</u>
Meeting allowances		
- Azhar Bin Mohamad	31	19
- Datuk Yong Bun Fou	35	18
- Ahmad Subri Bin Abdullah	35	12
- Tan Sri Dr. Ong Hong Peng	36	9
- Tan Chong Liong	30	7
	<u>167</u>	<u>65</u>
Total fees and allowances for non-executive directors	<u>622</u>	<u>296</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**23. INCOME TAX EXPENSE**

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Income tax:		
- Current income tax	14,541	9,000
- Over provision in prior years	(1,675)	(1,095)
	<u>12,866</u>	<u>7,905</u>
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	(2,402)	(1,879)
Relating to reduction		
- Income tax rate from the reclassification of Investment Property	-	(201)
- (Over) / Under provision in prior years	(352)	595
	<u>(2,754)</u>	<u>(1,485)</u>
Tax expense for the year	<u>10,112</u>	<u>6,420</u>

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>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Profit before tax	<u>70,532</u>	<u>54,530</u>
Taxation at Malaysian statutory tax rate of 24%	16,928	13,087
Effect of income not subject to tax	(10,991)	(8,405)
Effect of expenses not deductible for tax purposes	6,240	2,439
Income tax effect due to reclassification 'of investment property	-	(201)
Deferred tax recognised at different rate	(38)	-
(Over) / Underprovision of deferred tax in prior years	(352)	595
Over provision of income tax in prior years	(1,675)	(1,095)
Tax expense for the year	<u>10,112</u>	<u>6,420</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**24. EARNINGS PER SHARE**

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

	2018	2017
Net profit for the year (RM'000)	60,420	48,110
Number of ordinary shares in issue ('000)	118,000	118,000
Basic and diluted earnings per share (sen)	51.2	40.8

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.

**25. RELATED PARTY DISCLOSURES**

**(a) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has 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 Company and the party are subject 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 Company.

In the normal course of business, the Company undertakes 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 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 Company either directly or indirectly. The key management personnel of the Company includes the Executive Director and Chief Executive Officer.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(c) Related party transactions and balances**

The significant related party transactions during the year are as follows:

	2018 RM'000	2017 RM'000
<b>Related party transactions:</b>		
<b>(Expenses)/income:</b>		
<b>Penultimate Holding Company:</b>		
- Sompo Japan Insurance Inc.		
Premium ceded	(23,010)	(23,975)
Commission received	6,132	6,601
Claims recoveries	9,203	5,039
Income	703	-
Expenses recoveries	3,693	4,139
Expenses	<u>(23)</u>	<u>(28)</u>
<b>Holding Company:</b>		
- Sompo Holdings (Asia) Pte. Ltd.		
(Formerly knowns as Sompo Japan Asia Holdings Pte. Ltd.)		
Premium ceded	57	16
Commission received	(15)	(3)
Claims recoveries	19	237
Expenses recoveries	337	-
Expenses	<u>(7,137)</u>	<u>(7,613)</u>
<b>Other related companies:</b>		
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Premium ceded	(9,973)	(9,803)
Commission received	3,132	2,898
Claims recoveries	1,894	1,586
Expenses	<u>(9)</u>	<u>-</u>
<b>Corporate shareholder:</b>		
- Berjaya Corporation Berhad and its related companies		
Gross premium income	25,089	26,034
Brokerage fee	<u>(2,531)</u>	<u>(3,430)</u>
<b>Related party balances:</b>		
<b>Due to related companies</b>		
<b>Penultimate Holding Company:</b>		
- Sompo Japan Insurance Inc.	<u>(4,554)</u>	<u>(3,157)</u>
<b>Holding Company:</b>		
- Sompo Holdings (Asia) Pte. Ltd.	<u>(7,096)</u>	<u>(947)</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(c) Related party transactions and balances (Cont'd.)**

	2018 RM'000	2017 RM'000
<b>Related party balances:</b>		
<b>Due to related companies (Cont'd.)</b>		
<b>Other related companies:</b>		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	(740)	(459)
<b>Related party balances:</b>		
<b>Due from related company:</b>		
<b>Corporate shareholder</b>		
- Berjaya Corporation Berhad and its related companies	3,735	3,313
<b>Penultimate Holding Company:</b>		
- Sompo Japan Insurance Inc.	1,935	-
<b>Holding Company:</b>		
- Sompo Holdings (Asia) Pte. Ltd.	663	6
<b>Other related companies:</b>		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	47	541

The above balances are included in Note 8 Insurance Receivables, Note 9 Other Receivables, Note 14 Insurance Payables and Note 15 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 upon demand for non-trade balances.

**Compensation of key management personnel**

The remuneration of the Company's Executive Director and Chief Executive Officer during the financial year was as follows:

	2018 RM'000	2017 RM'000
Short term employee benefits		
- Salaries, allowances and bonus	1,673	1,823
- Other remuneration	250	273
- Benefits-in-kind	45	60
- Gratuity	-	38
	1,968	2,194

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**26. RISK MANAGEMENT FRAMEWORK**

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

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

Under the ERM, the Company adopts the three lines of defence approach, where the Business Units functions as the "first line of defence", while the risk control unit "second line of defence" rests on Risk Management and Compliance, providing an independent oversight to assist the Management in achieving its strategic plans and missions by implementing risk management and compliance activities across the organisation. 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 recommendation.

**(b) Risk Governance Structure**

The Board entrusts the Risk Management Committee ("RMC") with the overall responsibility for overseeing the risk management activities of the Company to ensure an appropriate risk management process is in place and functioning effectively as well as to endorse appropriate risk management policies/frameworks and measurement methodologies across the organisation.

The RMC has a broad mandate to ensure the effective implementation of the objectives outlined in the ERM and compliance with them throughout the Company. The RMC is responsible for periodically reporting material risk exposures to the Board. The roles and responsibilities as well as the authorities of the RMC are set out in the Board approved Term of Reference ("TOR") for RMC.

Risk Management Working Committee ("RMWC") has been established by RMC to serve as a medium between the RMC and the Management. This Committee will oversee the daily risk management activities of the Company to ensure that risk inherent in daily business activities is managed efficiently and effectively and will report regularly to the RMC on its recommendations and/or decisions.

In addition, the Board delegates to the RMWC the responsibility for ensuring effective implementation and maintenance of this ERM and that all personnel adhere to its mandates.



**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**26. RISK MANAGEMENT FRAMEWORK (CONT'D.)**

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

The detailed line accountability for risk management is reflected with the Company's Risk Governance structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the Company's risks are attributed to the CEO, heads of various department and branches.

**(c) Capital Management Plan**

The objective of the Capital Management Plan ("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 policy holders taking into consideration the events that can impact directly or indirectly on the operations and financial resilience of the Company whilst complying with the rules and regulations issued by relevant authorities.

The Company's capital management is driven by the business strategies and taking into consideration the impact of business and regulatory environment in which the Company operates in. To comply with the RBC Framework, the Company has also set an Internal Capital Adequacy Ratio which is above the minimum regulatory requirements.

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

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

**(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 together with the mitigating plans are tabled at least annually or from time to time as specified by BNM for the Board's deliberation.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**27. 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 Company has 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 Company's guidelines and standards.

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

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

	2018		2017	
	Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000
Motor	420,981	(16,452)	411,920	(17,625)
Fire	215,448	(58,668)	111,480	(60,788)
Marine, Aviation & Transit	25,531	(10,945)	27,052	(13,230)
Miscellaneous	244,007	(70,289)	225,776	(72,399)
	905,967	(156,354)	776,228	(164,042)
		749,613		153,377
				612,186

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**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

General Insurance Contract Liabilities by lines of business: (cont'd.)

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>Premium Liabilities</b>						
Motor	244,653	(18,732)	225,921	219,313	(4,711)	214,602
Fire	50,954	(7,160)	43,794	29,142	(12,129)	17,013
Marine, Aviation & Transit	6,293	(3,132)	3,161	4,888	(2,685)	2,203
Miscellaneous	98,883	(24,352)	74,531	84,021	(10,524)	73,497
	<u>400,783</u>	<u>(53,376)</u>	<u>347,407</u>	<u>337,364</u>	<u>(30,049)</u>	<u>307,315</u>
<b>Claims Liabilities</b>						
Motor	445,072	(38,347)	406,725	383,445	(31,247)	352,198
Fire	87,590	(42,122)	45,468	96,888	(75,627)	21,261
Marine, Aviation & Transit	29,455	(20,229)	9,226	13,979	(7,609)	6,370
Miscellaneous	241,764	(146,547)	95,217	232,090	(137,020)	95,070
	<u>803,881</u>	<u>(247,245)</u>	<u>556,636</u>	<u>726,402</u>	<u>(251,503)</u>	<u>474,899</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(b) Sensitivity analysis**

**Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that 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. Judgment 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 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 analyses by testing the sensitivity of the following key assumptions:

- Average claim cost;
- Average number of claims; and
- Average claim settlement period.

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

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

**Sensitivities (Cont'd.)**

	Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Profit Before Tax RM'000	* Impact on Equity RM'000
		<----- Increase / (Decrease) ----->			
<b>31 December 2018</b>					
Average Claims Cost	+10%	57,378	41,739	(41,739)	(31,304)
Average Number of Claims	+10%	64,938	43,311	(43,311)	(32,484)
Average Claim Settlement Period	Increased by 6 months	5,658	3,759	(3,759)	(2,820)
<b>31 December 2017</b>					
Average Claims Cost	+10%	57,522	34,782	(34,782)	(26,087)
Average Number of Claims	+10%	61,363	38,575	(38,575)	(28,931)
Average Claim Settlement Period	Increased by 6 months	7,312	4,580	(4,580)	(3,435)

\* *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. The method used in performing the sensitivity analysis is consistent with prior year.

**(c) Claims Development Table**

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 Company gives 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 beginning from the previous financial year, 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 Company's previous year-end 30 April). Hence the incurred loss data for accident years 2011 and prior have been omitted in these tables.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(c) Claims Development Table (Cont'd.)**

**Gross General Insurance Contract Liabilities for 2018 (RM '000)**

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	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	
Two years later				282,486	325,678	379,357	531,144	445,703	552,327		
Three years later				289,540	309,973	378,327	522,985	432,007			
Four years later				279,734	298,660	375,216	481,664				
Five years later				271,928	298,929	374,805					
Six years later				275,113	288,071						
Seven years later				266,827							
Eight years later		275,037									
Nine years later			280,993								
Current estimate of cumulative claims incurred	263,651	275,037	280,993	266,827	288,071	374,805	481,664	432,007	552,327	567,720	3,783,102
<b>Cumulative Claims Paid</b>											
At end of accident year											
One year later	107,105	117,390	130,724	119,925	136,400	144,585	182,354	215,810	235,212	220,261	
Two years later	206,360	217,683	236,200	215,423	232,463	256,421	420,405	352,578	401,295		
Three years later	237,136	243,286	264,552	250,897	254,181	327,972	467,097	376,463			
Four years later	250,583	257,386	273,622	259,519	266,728	340,876	443,668				
Five years later	256,065	260,314	275,971	263,357	271,026	344,916					
Six years later	257,612	262,020	277,681	264,607	265,315						
Seven years later	260,804	263,024	278,095	260,696							
Eight years later	261,961	263,733	275,857								
Nine years later	262,878	263,282									
Cumulative payments to date	262,123	263,282	275,857	260,696	265,315	344,916	443,668	376,463	401,295	220,261	3,113,876
<b>Gross general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2009											
Treaty Inwards	1,528	11,755	5,136	6,131	22,756	29,889	37,996	55,544	151,032	347,459	669,226
MMIP claim liabilities											1,065
Best Estimate of Claim Liabilities											1,335
Claim Handling Expenses											37,477
Fund PRAD at 75% Confidence Interval											709,103
<b>Gross general insurance contract liabilities (Note 13)</b>											84,808
											<b>803,881</b>

\* Please refer to Note 27 (c) page 91 for explanation.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(c) Claims Development Table (Cont'd.)**

**Gross General Insurance Contract Liabilities for 2017 (RM '000)**

Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	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	
Two years later					282,486	325,678	379,357	531,144	445,703		
Three years later					289,540	309,973	378,327	522,985			
Four years later					279,734	298,660	375,216				
Five years later					271,928	298,929					
Six years later					275,113						
Seven years later			275,440	291,642							
Eight years later		265,263									
Nine years later	251,314										
Current estimate of cumulative claims incurred	251,314	265,263	275,440	291,642	275,113	298,929	375,216	522,985	445,703	580,792	3,582,397
<b>Cumulative Claims Paid</b>											
At end of accident year											
One year later	81,429	107,105	117,390	130,724	119,925	136,400	144,585	182,354	215,810	235,212	
Two years later	177,584	206,360	217,683	236,200	215,423	232,463	256,421	420,405	352,578		
Three years later	214,093	237,136	243,286	264,552	250,897	254,181	327,972	467,097			
Four years later	238,727	250,583	257,386	273,622	259,519	266,728	340,876				
Five years later	244,198	256,065	260,314	275,971	263,357	271,026					
Six years later	248,541	257,612	262,020	277,681	264,607						
Seven years later	249,975	260,804	263,024	278,095							
Eight years later	250,680	261,961	263,733								
Nine years later	250,809	262,878									
Cumulative payments to date	250,947	262,878	263,733	278,095	264,607	271,026	340,876	467,097	352,578	235,212	2,987,049
<b>Gross general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2009	367	2,385	11,707	13,547	10,506	27,903	34,340	55,888	93,125	345,580	595,348
Treaty Inwards											669
MMIP claim liabilities											1,547
Best Estimate of Claim Liabilities											42,807
Claim Handling Expenses											640,371
Fund PRAD at 75% Confidence Interval											10,183
<b>Gross general insurance contract liabilities (Note 13)</b>											75,848
											<b>726,402</b>

\* Please refer to Note 27 ( c ) page 91 for explanation.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(c) Claims Development Table (Cont'd.)**

**Net General Insurance Contract Liabilities for 2018 (RM '000)**

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	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	
One year later				236,815	252,739	291,453	342,568	383,558	423,221		
Two years later				234,789	240,713	275,397	335,878	379,902			
Three years later				228,884	235,173	270,563	333,517				
Four years later				224,663	235,892	270,008					
Five years later				224,784	235,532						
Six years later				223,238							
Seven years later			243,810								
Eight years later		236,450									
Nine years later	223,690										
Current estimate of cumulative claims incurred	223,690	236,450	243,810	223,238	235,532	270,008	333,517	379,902	423,221	479,024	3,048,392
<b>Cumulative Claims Paid</b>											
At end of accident year			121,779	113,260	120,388	132,711	166,472	201,116	215,190	207,364	
One year later	98,017	108,964	209,982	190,747	199,109	221,752	276,416	316,592	336,578		
Two years later	176,578	199,154	232,006	209,161	215,797	243,209	302,396	340,989			
Three years later	202,492	218,861	238,351	216,285	222,501	250,341	311,761				
Four years later	214,317	230,649	240,259	219,386	225,875	252,528					
Five years later	219,099	233,251	241,153	220,349	226,541						
Six years later	220,444	234,585	241,629	220,686							
Seven years later	221,830	235,267	241,689								
Eight years later	222,824	235,703									
Nine years later	223,291	235,789									
Cumulative payments to date	223,405	235,789	241,689	220,686	226,541	252,528	311,761	340,989	336,578	207,364	2,597,330
<b>Net general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2009											
Treaty inwards											900
MMIP claim liabilities											1,335
Best Estimate of Claim Liabilities											37,477
Claim Handling Expenses											490,774
Fund PRAD at 75% Confidence Interval											9,970
Additional provision											55,008
<b>Net general insurance contract liabilities (Note 13)</b>											884
											<b>556,636</b>

\* Please refer to Note 27 (c) page 91 for explanation.



**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**(c) Claims Development Table (Cont'd.)**

**Net General Insurance Contract Liabilities for 2017 (RM '000)**

Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	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	
One year later					236,815	252,739	291,453	342,568	383,558		
Two years later					234,789	240,713	275,397	335,878			
Three years later					228,884	235,173	270,563				
Four years later					224,663	235,892					
Five years later					224,784						
Six years later				244,293							
Seven years later			236,540								
Eight years later		223,775									
Nine years later	208,720										
<b>Current estimate of cumulative claims incurred</b>	<b>208,720</b>	<b>223,775</b>	<b>236,540</b>	<b>244,293</b>	<b>224,784</b>	<b>235,892</b>	<b>270,563</b>	<b>335,878</b>	<b>383,558</b>	<b>449,265</b>	<b>2,813,268</b>
<b>Cumulative Claims Paid</b>											
At end of accident year	74,902	98,017	108,964	121,779	113,260	120,388	132,711	166,472	201,116	215,190	
One year later	152,241	176,578	199,154	209,982	190,747	199,109	221,752	276,416	316,592		
Two years later	177,438	202,492	218,861	232,006	209,161	215,797	243,209	302,396			
Three years later	198,159	214,317	230,649	238,351	216,285	222,501	250,341				
Four years later	202,901	219,099	233,251	240,259	219,386	225,875					
Five years later	206,538	220,444	234,585	241,153	220,349						
Six years later	207,781	221,830	235,267	241,629							
Seven years later	208,285	222,824	235,703								
Eight years later	208,362	223,291									
Nine years later	208,453										
<b>Cumulative payments to date</b>	<b>208,453</b>	<b>223,291</b>	<b>235,703</b>	<b>241,629</b>	<b>220,349</b>	<b>225,875</b>	<b>250,341</b>	<b>302,396</b>	<b>316,592</b>	<b>215,190</b>	<b>2,439,819</b>
<b>Net general insurance outstanding liabilities (direct and facultative inwards)</b>											
Case Reserves for Accident Years Prior to 2009	267	484	837	2,664	4,435	10,017	20,222	33,482	66,966	234,075	373,449
Treaty Inwards											405
MMIP claim liabilities											1,547
Best Estimate of Claim Liabilities											42,807
Claim Handling Expenses											418,208
Fund PRAD at 75% Confidence Interval											10,183
Additional provision											45,494
<b>Net general insurance contract liabilities (Note 13)</b>											<b>1,014</b>
											<b>474,899</b>

\* Please refer to Note 27 ( c ) page 91 for explanation.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**28. FINANCIAL RISK**

Financial risk is 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 Company observes the Bank Negara Malaysia 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 Company has tightened the credit collection and recovery policies to expedite collections. The Company is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

**Credit exposure**

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**28 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 Company by classifying assets according to the credit ratings of counterparties.

<b>31 December 2018</b>	<b>*AAA RM'000</b>	<b>*AA RM'000</b>	<b>*A RM'000</b>	<b>*BBB RM'000</b>	<b>Not Rated RM'000</b>	<b>Total RM'000</b>
HTM financial assets						
Corporate Bonds	10,015	-	-	-	-	10,015
LAR						
Fixed and call deposits						
AFS financial assets	-	55,449	-	25,178	-	80,627
Equity securities	-	-	-	-	82,699	82,699
Unit trust funds	-	-	-	-	1,004,081	1,004,081
Malaysian Government Securities	-	-	-	-	4,971	4,971
Corporate Bonds	33,605	241,883	4,994	-	6,990	287,472
Reinsurance assets	-	-	199,147	-	48,098	247,245
Insurance receivables **	-	-	39	-	104,432	104,471
Other receivables	-	-	-	-	79,623	79,623
Cash and cash equivalents	50,973	34,556	6,442	31,924	48	123,943
	<b>94,593</b>	<b>331,888</b>	<b>210,622</b>	<b>57,102</b>	<b>1,330,942</b>	<b>2,025,147</b>

\* Based on public ratings assigned by reputable rating agencies.

\*\* There are no balances that is past due but not impaired as at year end.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**28. FINANCIAL RISKS (CONT'D.)**

**(a) Credit Risk (Cont'd.)**

**Credit exposure by credit rating (Cont'd.)**

<b>31 December 2017</b>	<b>*AAA RM'000</b>	<b>*AA RM'000</b>	<b>*A RM'000</b>	<b>*BBB RM'000</b>	<b>Not Rated RM'000</b>	<b>Total RM'000</b>
Financial assets at FVTPL						
Warrants and loan stocks	-	-	-	-	66	66
HTM financial assets						
Corporate Bonds	15,019	-	-	-	-	15,019
LAR						
Fixed and call deposits	10,000	8,627	-	180	-	18,807
AFS financial assets						
Equity securities	-	-	-	-	115,032	115,032
Unit trust funds	-	-	-	-	911,408	911,408
Malaysian Government Securities						
Corporate Bonds	41,957	238,532	-	-	5,054	287,408
Reinsurance assets	-	2,527	208,007	-	40,969	251,503
Insurance receivables **	-	-	122	-	93,432	93,554
Other receivables	-	-	-	-	64,925	64,925
Cash and cash equivalents	41,302	16,889	253	18,900	63	77,407
	<b>108,278</b>	<b>266,575</b>	<b>208,382</b>	<b>19,080</b>	<b>1,237,868</b>	<b>1,840,183</b>

\* Based on public ratings assigned by reputable rating agencies.

\*\* There are no balances that is past due but not impaired as at year end.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**28. FINANCIAL RISKS (CONT'D.)**

**(b) Liquidity Risk**

Liquidity risk is the risk where the Company is unable to meet its obligations in a timely manner at a reasonable cost at any time. The Company maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

**Maturity Profiles**

The table below summarises the maturity profile of the financial/insurance assets and liabilities of the Company 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.

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**28. FINANCIAL RISKS (CONT'D.)**

**(b) Liquidity Risk (Cont'd.)**

**Maturity profiles (Cont'd.)**

**31 December 2018**

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<b>Financial assets:</b>						
FVTPL - Warrant	-	-	-	-	-	-
HTM - Corporate Bonds	10,015	-	11,723	-	-	11,723
LAR - Deposits with licensed financial institutions	80,627	81,449	-	-	-	81,449
AFS - Equity Securities	82,699	-	-	-	82,699	82,699
AFS - Corporate Bonds	287,472	40,636	111,298	204,813	-	356,747
AFS - Unit trust funds	1,004,081	-	-	-	1,004,081	1,004,081
AFS - Malaysian Government Securities	4,971	-	-	6,175	-	6,175
Reinsurance assets - claim liabilities	247,245	128,604	94,774	23,867	-	247,245
Insurance receivables	104,471	104,471	-	-	-	104,471
Other receivables	79,623	31,269	3	-	48,351	79,623
Cash and cash equivalents	123,943	92,100	-	-	32,040	124,140
<b>Total Assets</b>	<b>2,025,147</b>	<b>478,529</b>	<b>217,798</b>	<b>234,855</b>	<b>1,167,171</b>	<b>2,098,353</b>
<b>Insurance contract liabilities:</b>						
Claim liabilities	803,881	469,582	299,398	34,901	-	803,881
Insurance payables	76,282	76,282	-	-	-	76,282
Other payables	93,697	81,017	3,042	1,028	8,610	93,697
<b>Total Liabilities</b>	<b>973,860</b>	<b>626,881</b>	<b>302,440</b>	<b>35,929</b>	<b>8,610</b>	<b>973,860</b>

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**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**28. FINANCIAL RISKS (CONT'D.)**

**(b) Liquidity Risk (Cont'd.)**

**Maturity profiles (Cont'd.)**

**31 December 2017**

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<b>Financial assets:</b>						
FVTPL - Warrant	66	66	-	-	-	66
HTM - Corporate Bonds	15,019	5,063	-	12,121	-	17,184
LAR - Deposits with licensed financial institutions	18,807	19,073	-	-	-	19,073
AFS - Equity Securities	115,032	-	-	-	115,032	115,032
AFS - Corporate Bonds	287,408	22,495	106,266	233,905	-	362,666
AFS - Unit trust funds	911,408	-	-	-	911,408	911,408
AFS - Malaysian Government Securities	5,054	-	-	6,424	-	6,424
Reinsurance assets - claim liabilities	251,503	121,652	111,495	18,356	-	251,503
Insurance receivables	93,554	93,554	-	-	-	93,554
Other receivables	64,925	10,175	1	-	54,749	64,925
Cash and cash equivalents	77,407	50,606	-	-	27,011	77,617
<b>Total Assets</b>	<b>1,840,183</b>	<b>322,684</b>	<b>217,762</b>	<b>270,806</b>	<b>1,108,200</b>	<b>1,919,452</b>
<b>Insurance contract liabilities:</b>						
Claim liabilities	726,402	417,089	281,135	28,178	-	726,402
Insurance payables	83,020	83,020	-	-	-	83,020
Other payables	66,508	43,270	4,170	1,238	17,830	66,508
<b>Total Liabilities</b>	<b>875,930</b>	<b>543,379</b>	<b>285,305</b>	<b>29,416</b>	<b>17,830</b>	<b>875,930</b>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**28. FINANCIAL RISK (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 Company's policies on asset allocation, portfolio mix structure have been set in line with the Company's 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 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 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).

As the Company's business is conducted primarily in Malaysia, the Company's financial assets and its insurance contract liabilities are also primarily maintained in Malaysia, and denominated in RM.

The Company's main currency risk from recognised assets and liabilities 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 Company has no significant concentration of currency risk.

**(e) Interest Rate 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.

The investment in deposit placements is not exposed to have significant interest rate risk as the interest rates thereon are fixed rate and not affected by market interest movement. The Company is exposed to interest rate risk primarily through investment in fixed income securities. Nevertheless, the fair value of such investments are provided at Note 6.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact to statements of income and changes in equity (due to changes in fair value of available-for-sale financial assets).



**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**28. FINANCIAL RISK (CONT'D.)**

**(e) Interest Rate/Profit yield rate (Cont'd)**

	<u>2018</u>		<u>2017</u>	
	Impact on Profit before tax RM'000	Impact on equity* RM'000	Impact on Profit before tax RM'000	Impact on equity* RM'000
Change in variable	<----- (Decrease) / Increase ----->			
Interest Rate +50bps	-	(66)	-	(24)
Interest Rate -50bps	-	66	-	24

**(f) Price Risk**

Equity 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 Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company is exposed to equity price risk arising from investments held by the Company, comprising quoted equities, warrants and unit trusts.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on profit before tax and equity.

		<u>2018</u>		<u>2017</u>	
		Impact on Profit before tax RM'000	Impact on equity* RM'000	Impact on Profit before tax RM'000	Impact on equity* RM'000
Change in variable		<----- (Decrease) / Increase ----->			
<b>Market Indices</b>					
Equity prices	+10%	-	8,258	7	11,491
Equity prices	-10%	-	(8,258)	(7)	(11,491)
NAV	+10%	-	100,408	-	91,141
NAV	-10%	-	(100,408)	-	(91,141)

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

The method used for deriving sensitivity information and significant variables did not change from the previous year.

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**28. FINANCIAL RISK (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 Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks.

Business risks, such as changes in environment, technology and the industry are also monitored through 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 Company conducts regular reviews across the various departments to ensure all business activities are complying with the regulatory and statutory requirements.

**29. FAIR VALUE HIERARCHY**

The tables below analyse assets which are carried at fair value and assets for which fair value is 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

**BERJAYA SOMPO INSURANCE BERHAD**  
(Incorporated in Malaysia)

**29. FAIR VALUE HIERARCHY (CONT'D.)**

The tables below analyse assets carried at fair value and assets for which fair value is disclosed, according to their fair value hierarchy.

	Note	2018				2017			
		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
<b>Assets for which fair values are disclosed:</b>									
HTM									
Corporate Bonds	6 (b)	-	9,875	-	9,875	-	14,806	-	14,806
		-	9,875	-	9,875	-	14,806	-	14,806
<b>Assets measured at fair value on a recurring basis:</b>									
Investment properties	5	-	-	23,930	23,930	-	-	23,730	23,730
<b>FVTPL</b>									
Warrants	6 (a)	-	-	-	-	66	-	-	66
<b>AFS</b>									
Equity securities	6 (d)	82,581	-	-	82,581	114,914	-	-	114,914
Unit trust funds	6 (d)	1,004,081	-	-	1,004,081	911,408	-	-	911,408
Corporate Bonds	6 (d)	-	287,472	-	287,472	-	287,408	-	287,408
Malaysian Government Securities	6 (d)	-	4,971	-	4,971	-	5,054	-	5,054
		1,086,662	292,443	23,930	1,403,035	1,026,388	292,462	23,730	1,342,580

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 2.2(f). 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 input is the floor area and the weighted average value per square foot of the properties. The values of the unobservable input used was in the range of RM857 - RM2,917 (2017:RM262 - RM2,522) per square feet. The fair value would increase/(decrease) if the value per square foot and weighted average value per square foot used is higher/(lower).

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**30. REGULATORY CAPITAL REQUIREMENT**

Pursuant to the Risk-Based Capital Framework issued by BNM, insurance companies are required to meet the minimum capital adequacy ratio of 130%. The Company has met the minimum regulatory capital requirement.

The total capital available of the Company as at 31 December 2018, as prescribed under the RBC Framework is provided below:

	Note	2018 RM'000	2017 RM'000
<b>Eligible Tier 1 Capital</b>			
Share capital (paid-up)	12	118,000	118,000
Retained earnings		<u>713,056</u>	<u>652,636</u>
		<u>831,056</u>	<u>770,636</u>
<b>Tier 2 Capital</b>			
AFS fair value reserve		<u>19,955</u>	<u>31,063</u>
<b>Deductions</b>			
Intangible assets	4	<u>(29,259)</u>	<u>(22,740)</u>
<b>Total capital available</b>		<u>821,752</u>	<u>778,959</u>

**31. CAPITAL COMMITMENTS**

	2018 RM'000	2017 RM'000
<b>Capital Expenditure approved and contracted for:</b>		
Property and equipment	-	205
Intangible assets	<u>12,075</u>	<u>9,588</u>
	<u>12,075</u>	<u>9,793</u>

**BERJAYA SOMPO INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**32. DEVELOPMENTS ON MYCC CASE**

On 22 February 2018, the Company received statutory notice of the proposed decision by Malaysian Competition Commission ("MyCC") that the Company and the other 21 members of PIAM have infringed one of the prohibitions under Part II of the Competition Act, 2010. The proposed decision includes a proposed financial penalty on BSIB and the other 21 members of PIAM totalling RM213,454,814. The Company's share of the financial penalty is RM10,784,489.

All members had submitted their written representation. Oral representation sessions between MyCC with PIAM, all members and BNM were conducted since late 2017 until 26 February 2018. There has not been any official correspondence since 26 February 2018 until new MyCC chairman and members were appointed on 28 September 2018.

On 19 to 21 February 2019, oral representations by PIAM and the 22 members were conducted as De novo proceedings (fresh hearing - starting from the beginning) before the new MyCC Panel with the presence of Bank Negara Malaysia (BNM) and Federal of Automobile Workshop Owners Association ("FAWOAM").

The oral representations will be continued on 13 and 14 May 2019 and 17 and 18 June 2019. On 13 May 2019 BNM will also be addressing MyCC panel .

As the oral representation proceedings is still on-going, there is no decision on the above case at the date of this report and the Company continues to maintain that it is not liable to the penalty levied.