

Reports And Statutory  
Financial Statements  
31 December 2020



Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

<b>CONTENTS</b>	<b>PAGE</b>
CORPORATE GOVERNANCE STATEMENT	1 - 16
DIRECTORS' REPORT	17 - 22
STATEMENT BY DIRECTORS	23
STATUTORY DECLARATION	23
SHARIAH COMMITTEE'S REPORT	24 - 26
INDEPENDENT AUDITORS' REPORT	27 - 30
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	31 - 32
STATEMENT OF PROFIT OR LOSS	33 - 34
STATEMENT OF COMPREHENSIVE INCOME	35
STATEMENT OF CHANGES IN EQUITY	36
STATEMENT OF CASH FLOWS	37
NOTES TO THE FINANCIAL STATEMENTS	38 - 128

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT**

#### **Introduction**

Zurich General Takaful Malaysia Berhad ("ZGTMB" or "the Company") is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors ("the Board") is satisfied that the Company has complied with all prescriptive requirements of including the principles of Shariah, and adopts the Corporate Governance policy document issued by Bank Negara Malaysia ("BNM") since the commencement of the business of the Company. The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of the Company.

#### **The Board**

The Board is responsible for the overall governance of the Company by ensuring strategic guidance, 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 rules, regulations directives and guidelines in addition to adopting best practices and act in the best interest of its shareholders.

#### **The Board Charter**

The Board Charter set out the Board's roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles of corporate governance prescribed by BNM. The Board regularly reviews the Charter and ensure it remains consistent and relevance to the Board's objectives and responsibilities, and all regulations/laws in connection thereto.

#### **Composition of the Board**

The Directors of the Company in office since the last report till the date of this report are as follows:

<b>Name of Directors</b>	<b>Designations</b>
Hasnah binti Omar (appointed as Chairperson on 1 January 2021)	Chairperson, Independent Non-Executive Director
Nabil Nazih El-Hage (retired on 31 December 2020)	Chairman, Independent Non-Executive Director
Dr Md Khalil bin Ruslan (retired on 14 March 2021)	Independent Non-Executive Director
Onn Kien Hoe	Independent Non-Executive Director
Dr Mohd Nordin bin Mohd Zain	Independent Non-Executive Director
Kevin John Wright	Executive Director

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Composition of the Board (continued)**

The Board comprises four Independent Non-Executive Directors and one Executive Director, each from diverse backgrounds and qualifications and bring a wide range of professional skills and operational experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company. The roles and activities of the Chairman and Chief Executive Officer ("CEO") are distinct and separate.

The appointments to the Board were approved by BNM. All appointments and reappointments of the Board are subject to evaluation and review by the Nomination and Remuneration Committee and approved by the Board before the applications are submitted to BNM for approval.

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

The Board sets the strategic direction and vision of the Company. It has an 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. This includes a consideration of long-term implications of the Board's decisions on the Company and its customers, officers and general public. In fulfilling this role, the Board shall:

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the 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;
- (c) 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;
- (d) promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior;
- (e) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- (f) 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;
- (g) promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company; and
- (h) promote Shariah compliance in accordance with expectations set out in the policy document on Shariah Governance.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Profile of Directors**

##### **Hasnah binti Omar**

Malaysian, Female

Chairperson, Independent Non-Executive Director

Cik Hasnah binti Omar was appointed as an Independent Non-Executive Director and Chairperson of the Company on 5 August 2019 and 1 January 2021 respectively. Cik Hasnah is a member of the Audit Committee, Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of the Company.

Cik Hasnah graduated and received her BA (Hons) from University of Malaya in 1981 and holds a Masters in Public Administration from Harvard University, USA in 1991. Cik Hasnah also holds a Masters in Banking Law Executive (Islamic and Conventional) from International Islamic University of Malaysia in 2010.

Cik Hasnah has vast experience in finance, banking and capital market having worked in various capacities with BNM, Securities Commission ("SC"), and the Asian Development Bank (ADB), Manila, Philippines.

In 1981, Cik Hasnah joined BNM, where she largely worked in the Bank Examination Department of BNM which was responsible for the examinations of commercial banks, merchant banks, discount houses and finance companies. She led the examinations of a number of financially distressed banks during the mid-1980s. For about one and a half year, she served as the Head of Public Affairs Unit of the Bank, among others, assisting Governor and Senior Management in managing the press and public perception of BNM's policies.

Cik Hasnah worked with SC from 1991 until 2013, culminating her career in SC as the Director of Market Oversight Business Group. She was actively involved in the Brokers Monitoring System during the Asian Market Crisis 1997/1998. She was also responsible for the formulation and implementation of the Compliance Function Framework for the industry and the formulation of Risk-based Capital for stockbroking companies. She was primarily responsible for the formulation and implementation of Brokers' Consolidation Policy and together with BNM, she contributed to the formulation of regulatory framework for Investment Banks. Cik Hasnah represented SC as a member of Financial Stability Committee of Financial Services Authority of Labuan ("FSA") and as a Board Member of Capital Market Compensation Fund.

Cik Hasnah spent two years, from January 2009 to December 2010 with the Asian Development Bank (ADB) in Manila on a secondment basis. Among others, she advised ADB on Islamic finance matters, she was a Mission Leader for the Financial Sector and Capital Markets Sovereign Loan Program and Technical Assistance ("TA") for Vietnam, and involved as a Mission Member in sovereign loan programs and TA for Thailand, Indonesia, Brunei and Philippines. She was a Co-Mission Leader for the ASEAN Regional Capital Markets Integration TA. She returned to serve the SC in January 2011 until May 2013.

Cik Hasnah is currently the Chairperson and Independent Non-Executive Director of Zurich Takaful Malaysia Berhad and MIDF Amanah Assets Management Berhad. She also sits on the Board of Malaysian Industrial Development Finance Berhad (MIDF), Bond Pricing Agency Malaysia Sdn Bhd and Zurich Life Insurance Malaysia Berhad. She also serves as a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre since 2015.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Profile of Directors (continued)**

##### **Nabil Nazih El-Hage**

American, Male

Chairman, Independent Non-Executive Director

Mr. Nabil Nazih El-Hage was appointed as Independent Non-Executive Director / Chairman of the Company upon obtaining approval from Bank Negara Malaysia on 1 June 2018 and retired from both positions on 31 December 2020.

Mr. Nabil graduated 'cum laude' in Electronic Engineering from Yale University in 1980. He then earned his Master of Business Administration ("MBA") with the highest honours – as a Baker Scholar – from Harvard Business School in 1984, where he was awarded the Henry Ford Foundation Award for the Best First-Year academic record, the Loeb-Rhoades Fellowship for Excellence in Finance, the Copeland (Marketing) Award nomination, and a Dean's Doctoral Fellowship.

Mr. Nabil is the founder and chairman of the AEE International, dba Academy of Executive Education ("AEE"), which provides high-quality executive education programmes to corporate clients. AEE (and its predecessor companies) have also developed a highly-acclaimed corporate governance programme for Malaysian financial institutions, as commissioned by Bank Negara Malaysia. He is also the Programme Director for Bank Negara Malaysia's Financial Institutions Directors' Education ("FIDE") programme.

Mr. Nabil has served on several boards of directors of private and public listed companies. From 2003 to 2010, Mr. Nabil was on the faculty of Harvard Business School, where he was, at various times, Professor of Management Practice, Thomas Henry Carroll / Ford Foundation Adjunct Professor of Business Administration, and Senior Associate Dean for External Relations. At Harvard Business School, Mr. Nabil taught courses on Private Equity, Corporate Finance, and Corporate Governance.

Mr. Nabil also serves as the Contracts Committee Chairman of the MassMutual mutual fund group (\$35 billion under management), member of its Audit Committee and designated "Financial Expert". His previous appointments include chairman of the Audit Committee of an NYSE-listed Property and Casualty insurance company. He has served on the boards of directors of over 15 companies, including six public listed ones. He has also served on the Audit Committee of several companies and was a past president of The Yale Club of Boston.

Mr. Nabil retired from his position as the Independent Non-Executive Director and Chairman of Zurich General Insurance Malaysia Berhad on 31 December 2020.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Profile of Directors (continued)**

##### **Dr. Md Khalil bin Ruslan**

Malaysian, Male

Independent Non-Executive Director

Dr. Md Khalil bin Ruslan was appointed as Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 15 March 2018. He is the Chairman of the Nomination and Remuneration Committee and a member of the Risk Management and Sustainability Committee, Audit Committee and Shariah Committee of the Company. He retired on 14 March 2021.

Dr. Khalil obtained his Bachelor of Shariah from University of Malaya in 1985 and Masters of Comparative Law (MCL) in 1988 from International Islamic University. Subsequently in 2000, he attained his PHD (Islamic Commercial Transaction) from University of Edinburgh, Scotland, United Kingdom. He is currently an Associate Professor at Law Faculty, University of Malaya, Kuala Lumpur.

##### **Onn Kien Hoe**

Malaysian, Male

Independent Non-Executive Director

Mr. Onn Kien Hoe was appointed as an Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 1 June 2018. He is the Chairman of the Audit Committee and a member of the Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of the Company.

Mr. Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Kampuchea Institute of Certified Public Accountants and Auditors.

Mr. Onn is a partner with Crowe Malaysia PLT, an internationally affiliated accounting firm. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Malaysia. He is also a Director in Crowe (KH) Co., Ltd, where he is also responsible for the operations of Crowe in Cambodia.

Mr. Onn has extensive experience in the disciplines of audit, advisory and insolvency. He has participated in cross border transactions including mergers and acquisitions, listing, reverse takeovers, due diligence reviews and valuation assignments. His cross-border experience involves transactions on international stock exchanges including London, Hong Kong, Singapore, Australia, Cambodia and Malaysia.

Mr. Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants, a member of the Interpretation Committee of the Malaysian Accounting Standards Board and a member of the General Committee of Malaysian International Chamber of Commerce and Industry.

Mr. Onn currently serves as an Independent Non-Executive Director at Zurich Takaful Malaysia Berhad and Avillion Berhad. He also sits on boards of several private limited companies.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Profile of Directors (continued)**

##### **Dr. Mohd Nordin bin Mohd Zain**

Malaysian, Male

Independent Non-Executive Director

Dr. Nordin Mohd Zain was appointed as Independent Non-Executive Director of the Company on 1 June 2018. He is the Chairman of the Risk Management and Sustainability Committee and a member of the Audit Committee, and Nomination and Remuneration Committee of the Company.

Dr. Nordin has 34 years of experience in various capacities in banking, education, regulatory agency and professional practice. He started his career in internal audit and corporate banking for 6 years, in academic for 10 years, as a Chief Executive Officer for the Malaysian Accounting Standards Board (MASB) for 10 years and as a Partner in Deloitte for 8 years.

A Chartered Accountant, Dr. Nordin is a member of Malaysian Institute of Accountants (MIA), a Fellow member of CPA Australia (FCPA) and a Fellow of IPA Australia (FIPA). He served as a council member of MIA and CPA Australia, as well as a founding board member of MASB. He also served as a member of Corporate Law Reforms Committee of the Registrar of Companies.

Dr. Nordin obtained his doctorate degree in Strategic Management from Strathclyde University, UK in 1995 and Masters and Bachelor degrees in Accounting from the USA in the 1980's.

Dr. Nordin currently sits on the board of UDA Holdings Berhad, AmBank Islamic Berhad, AmMetLife Takaful Berhad and international bodies such as the Institute of Public Accountants Australia in Melbourne, and serves as an investment committee member of a subsidiary of AIA Berhad. He used to serve as a member of Public Accountants Oversight Committee in Brunei and on the board of the Accounting & Auditing Organisation for Islamic Financial Institution (AAOIFI) in Bahrain UAE.



Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Profile of Directors (continued)**

##### **Kevin John Wright**

Australian, Male

Executive Director

Mr. Kevin John Wright was appointed as Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 3 February 2020.

Mr. Wright has vast experience in the financial services sector in New Zealand and Australia as well as South East Asia covering Malaysia, Indonesia, Singapore, Thailand, Philippines, Hong Kong and India. Mr. Wright possesses a high degree of familiarity with other Asia Pacific markets such as South Korea and Japan. Mr. Wright has over 34 years' experience in Life and Non-Life Insurance, 15 years of which were in international markets with a focus on South East Asia, Asia Pacific and India.

Mr. Wright has solid executive management with cross-functional experience in Development, Management of Operations, Strategic Planning and Execution, Business and Financial Management, Relationship Building, Organisational Leadership, Customer Relationship Management and Team Development & Leadership, capable of performing in a broad range of executive, financial and commercially oriented positions.

Mr. Wright has held a number of diverse roles in other financial institutions such as the Chief Executive Officer ("CEO") South East Asia and India of AXA Asia and responsible for operations in Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore and Thailand between years 2011 to 2014. He also served as a Board Member for all the above mentioned countries and Member of Regional Executive Committee of AXA Asia. Prior to this, he held various other senior executive roles within Australia and Asia Pacific region. He is also a former wicketkeeper who represented Australia in 10 test matches.

Mr. Wright is also the Executive Director of Zurich General Insurance Malaysia Berhad.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Directors' Training**

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programmes attended by the Directors during the financial year ended 31 December 2020 included areas of leadership, governance, risk management, finance, investment, cybersecurity information technology, climate change and insurance/takaful related matters.

#### **Board Meetings**

The Board is scheduled to meet at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2020, the Board met six times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2020 was as follows:

<b>Name of Directors</b>	<b>No. of Board Meetings Attended</b>
Nabil Nazih El-Hage, Chairman	5/6
Dr Md Khalil bin Ruslan	6/6
Onn Kien Hoe	6/6
Dr Mohd Nordin bin Mohd Zain	5/6
Hasnah binti Omar	6/6
Kevin John Wright	6/6

#### **Board Committees**

The Board delegates specific responsibilities to Board Committees. The Board Committees are Audit Committee, Nomination and Remuneration Committee, the Risk Management and Sustainability Committee and Shariah Committee. The Board Committees are chaired by an Independent Non-Executive Director.

Each Board Committee operates within defined terms of reference. The Board Committees have the authority to examine particular issues, but they report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matter's rests with the Board.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Board Committees (continued)**

##### **Audit Committee (“AC”)**

The principal objectives of the AC are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The AC meets regularly with senior management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The AC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of AC are:

- (i) To approve internal auditors' audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
- (ii) To review the results of internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
- (iii) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (iv) To discuss with the external auditors before the audit commences, the nature and scope of audit;
- (v) To provide assurance that the financial information presented by management is relevant, reliable and timely;
- (vi) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct;
- (vii) To determine the quality, adequacy and effectiveness of the Company's internal control environment.
- (viii) To ensure that the officers who perform the Shariah review function are qualified to undertake compliance function responsibilities and have sound understanding of relevant Shariah requirements applicable to Islamic financial business; and
- (ix) To provide oversight over shariah review related matters including the shariah review plan on a yearly basis.

The AC meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2020, the AC held six meetings to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Board Committees (continued)**

##### **Audit Committee (“AC”) (continued)**

The members and number of meetings attended by each member of the AC is as follows:

<b>Members</b>	<b>No. of AC Meetings Attended</b>
Onn Kien Hoe, Chairman	6/6
Dr Md Khalil bin Ruslan	6/6
Dr Mohd Nordin bin Mohd Zain	5/6
Hasnah binti Omar	6/6

##### **Nomination and Remuneration Committee (“NRC”)**

The NRC assist the Board in fulfilling its fiduciary responsibilities relating to assessment of the nomination and selection process of Board members and Senior Management, review of the remuneration framework of Board members and Senior Management, annual review of the effectiveness of the Board, Board Committees, individual Directors and Chief Executive Officer. In considering the right candidate for appointment to the Board, the NRC takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfill its fiduciary responsibilities.

The NRC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of NRC are:

- (i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, Chief Executive Officer, key senior officers (including the expatriates, if any) and members of Shariah Committee of the Company;
- (ii) To recommend specific remuneration packages for Directors, Chief Executive Officer, key senior officers (including the expatriates, if any) and members of Shariah Committee of the Company;
- (iii) To ensure that the remuneration for individuals within the Company be aligned with prudent risk-taking and appropriately adjusted for risks. The remuneration outcomes must be symmetric with risk outcomes; and
- (iv) To review and assess the nomination and selection of the Board, Senior Management (including Chief Executive Officer and expatriates), members of Shariah Committee and Company Secretary, the performance of the Board, Chief Executive Officer and Shariah Committee, fit and proper assessments, succession planning and training and development needs.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****Board Committees (continued)****Nomination and Remuneration Committee (“NRC”) (continued)**

The members and number of meetings attended by each member of the NRC during the financial year ended 31 December 2020 is as follows:

<b>Members</b>	<b>No. of NRC Meetings Attended</b>
Dr Md Khalil bin Ruslan, Chairman	6/6
Onn Kien Hoe	6/6
Dr Mohd Nordin bin Mohd Zain	5/6
Hasnah binti Omar	6/6

**Risk Management and Sustainability Committee (“RMSC”)**

The RMSC reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also reviews risk management policies; action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows:

- (i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
- (iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;
- (iv) To review the management’s periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) To provide oversight over sustainability-related matters which include review of Zurich’s sustainability strategy and objectives, review of Zurich’s approach and conduct concerning sustainability, assessing progress against agreed actions at least annually, review of legislative and regulatory developments and reporting requirements relating to sustainability, review of the proposal to the Board for approval targets on environmental, social and corporate governance (“ESG”) matters which have a material impact on business strategy, underwriting or business performance; and
- (vi) To provide oversight over technology-related matters which include review of technology frameworks, review and recommendation of technology risk appetite, risk tolerance for technology related events, ensure key performance indicators and forward looking risk indicators are in place, adequacy of IT and cybersecurity strategic plans and effective implementation of sound and robust technology risk management framework (“TRMF”) and cyber resilience framework (“CRF”) and ensure that risk assessments undertaken in relation to material technology application submitted to BNM are robust and comprehensive.

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

#### Board Committees (continued)

#### Risk Management and Sustainability Committee ("RMSC") (continued)

The members and number of meetings attended by each member of the RMSC during the financial year ended 31 December 2020 is as follows:

Members	No. of RMSC Meetings Attended
Dr Mohd Nordin bin Mohd Zain. Chairman	4/4
Dr Md Khalil bin Ruslan	4/4
Onn Kien Hoe	4/4
Hasnah binti Omar	4/4

#### Shariah Committee ("SC")

The SC is entrusted by the Board to ensure that the Company's operations and products offered are in accordance with the Shariah. All matters which require Shariah Committee's opinion and decisions are deliberated at the Shariah Committee's meetings with the attendance of the Management and the representatives from the Shariah Division. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

The SC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of SC are as follows:

- Responsibility and accountability**  
The SC is expected to understand that in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them. The SC is also expected to perform an oversight role on Shariah matters related to the Company's business operations and activities.
- Advise the Board and the Company**  
The SC shall advise the Board and provide input to the Company on any matters related to Shariah in order for the Company to comply with Shariah principles at all times.
- Endorse Shariah policies and procedures**  
The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure the contents do not contain any elements which are not in line with Shariah.
- Endorse and validate relevant documentations**  
To ensure that the products of the Company comply with Shariah principles, the SC must approve:
  - The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
  - The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****Board Committees (continued)****Shariah Committee ("SC") (continued)**

5. Assess work carried out by Shariah review and Shariah audit  
To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah principles which forms part of their duties in providing their assessment of Shariah compliance and accurate information in the annual report.
6. Assist related parties on Shariah matters  
The related parties of the Company such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting party.
7. Advise on matters to be referred to the Shariah Advisory Council ("SAC")  
The SC may advise the Company to consult the SAC of Bank Negara Malaysia on Shariah matters that could not be resolved.
8. Provide written Shariah opinions  
The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:
  - (i) Where the Company make reference to the SAC for advice, or
  - (ii) Where the Company submit applications to BNM for new product approval.

The members and number of meetings attended by each member of the SC during the financial year ended 31 December 2020 is as follows:

<b>Members</b>	<b>No. of SC Meetings Attended</b>
Dr Yusri bin Mohamad, Chairman	6/6
Dr Md Khalil bin Ruslan	6/6
Dr Luqman bin Haji Abdullah (retired on 30 September 2020)	5/5
Dr Mohamad Abdul Hamid (retired on 30 September 2020)	4/5
Dr Zulkifli bin Hasan	5/6
Dr Mohamad Fairouz bin Mohd Khir (appointed on 2 October 2020)	1/1
Dr Wan Marhaini Binti Wan Ahmad (appointed on 2 October 2020)	1/1

**Other Key Elements of Risk Management and Internal Control****Organisational structure and management accountability**

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Other Key Elements of Risk Management and Internal Control (continued)**

##### **Organisational structure and management accountability (continued)**

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Part B, paragraph 14 of BNM Guidelines on Corporate Governance and paragraph 67 of the Islamic Financial Services Act 2013 ("IFSA").

##### **Corporate independence**

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

##### **Internal controls**

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the senior management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

The IT Steering Committee is responsible for establishing effective information technology and information systems plans, authorising information technology ("IT") related expenditure based on authority limits and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems and have put in place business resumption and contingency plans to ensure continued operations of mission critical functions. The requirements of BNM's Guidelines on Management of IT Environment (GPIS-1) and Guidelines on Business Continuity Management (BNM/RH/GL/013-3) have been complied.

##### **Risk management**

The RMSC meets regularly, at least four (4) times a year, to review risk management reports of the Company. The RMSC has categorised risks into seven (7) risk types affecting the Company namely Property and Casualty Risk, Market Risk, Credit Risk, Operational Risk, Strategic Risk and Reputation Risk, Capital Management and Liquidity Risk, and Shariah Risk.

The Company has established, within its risk management framework, a structured approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity.



## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Other Key Elements of Risk Management and Internal Control (continued)**

##### **Public accountability**

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

##### **Financial reporting**

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

##### **Remuneration policy**

The Company's remuneration policy is based on Zurich Insurance Group Limited ("ZIGL")'s remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides for competitive total remuneration opportunities to attract, retain, motivate and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board of Directors reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board of Directors may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.

With respect to the regular review and the oversight of the implementation of the Remuneration Rules, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process.

The guiding principles of the remuneration philosophy as set out in the Company's Remuneration Rules are as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high-performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used as the basis for remuneration decision.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Other Key Elements of Risk Management and Internal Control (continued)**

##### **Remuneration policy (continued)**

The guiding principles of the remuneration philosophy as set out in the Company's Remuneration Rules are as follows: (continued)

- Variable remuneration awards are linked to key performance factors which include the performance of the Company, business units, functions, as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP"), General Insurance Performance Plan ("GIPP") and Long Term Incentive Plan ("LTIP"), used for variable remuneration, are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with its long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market practices, taking into account the ZIGL's risk capacity on pension funding and investments.

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, internal equity, and legal requirements.

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed determined by the scope and complexity of the role and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be taken into account are the individual's overall experience and performance.
- The variable remuneration architecture is aligned with the achievement of the key financial objectives and the execution of the business strategy, risk management framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board of Directors. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants. A claw-back framework is in place. However, for members of the Executive Committee to allow for recovery, forfeiture and/or claw-back, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP, GIPP and LTIP participants.
- Variable remuneration is structured such that on average there is a higher weighting towards the longer-term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile for key risk takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2020.

### **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the underwriting of all classes of general takaful business. There has been no significant change in the nature of this activity during the financial year.

### **FINANCIAL RESULTS**

	<b>RM'000</b>
Net profit for the financial year	<u>34,495</u>

### **RESERVES AND PROVISIONS**

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 was declared or paid by the Company during the financial year. The Directors do not recommend the payment of any dividend for the current financial year.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT (CONTINUED)**

#### **SHARE CAPITAL**

There was no change in the share capital of the Company during the financial year.

#### **DIRECTORS OF THE COMPANY**

Directors who served since the date of last report and appointed during the year to date of this report:

##### **Name of Directors**

Nabil Nazih El-Hage  
(retired on 31 December 2020)  
Dr Md Khalil bin Ruslan  
(retired on 14 March 2021)  
Onn Kien Hoe  
Dr Mohd Nordin bin Mohd Zain  
Hasnah binti Omar  
(appointed as Chairperson on 1  
January 2021)  
Kevin John Wright

##### **Designation**

Chairman, Independent Non-Executive Director  
  
Independent Non-Executive Director  
  
Independent Non-Executive Director  
Independent Non-Executive Director  
Chairperson, Independent Non-Executive Director  
  
Executive Director

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT (CONTINUED)**

#### **DIRECTORS' BENEFITS**

Since the end of previous financial year, no Director of the Company 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 or the fixed salary of a full-time employee of the Company as disclosed in Note 25(a) to the financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### **INDEMNITY AND INSURANCE COST**

The Company through its ultimate holding corporation, Zurich Insurance Group Ltd. ("ZIGL"), has maintained a Directors' and Officers' Liability Insurance ("Group's D&O Insurance") on a group basis up to an aggregate limit of USD350 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed a Directors' and Officers' Liability Insurance with a local insurer up to the deductible amount under the Group's D&O Insurance. 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.

The total amount paid and payable for indemnity insurance effected for the Directors of the Company for the financial year amounts to RM6,884.

There was no indemnity given to, or insurance effected for auditors of the Company during the financial year.

#### **DIRECTORS' INTERESTS**

ZIGL, the ultimate holding corporation of the Company, has designed a Group Long Term Incentive Plan ("the Plan") for the Group's most senior executives for the accomplishment of key Group performance measures. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

No director in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

#### **DIRECTORS' REMUNERATION**

Details of Directors' remuneration are set out in Note 25(a) to the financial statements.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT (CONTINUED)**

#### **OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value 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.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) 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.
- (e) As at the date of this report, there does not exist:
- (i) 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
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent 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 when they fall due; and
  - (ii) 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, except for the subsequent event disclosed in Note 40 to the financial statements.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT (CONTINUED)**

#### **OTHER STATUTORY INFORMATION (CONTINUED)**

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Company.

- (g) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its takaful liabilities in accordance with the valuation methods specified in Part B of the Risk-Based Capital ("RBC") Framework for Takaful Operators issued by BNM.

#### **AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 25 to the financial statements.

#### **IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES**

The Directors regard Zurich Holdings Malaysia Berhad, a company incorporated in Malaysia, as the immediate holding company of the Company. The penultimate holding and ultimate holding corporations are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both companies are incorporated in Switzerland.

#### **SUBSEQUENT EVENT**

Details of the subsequent event are disclosed in Note 40 to the financial statements.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT (CONTINUED)**

#### **AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), will retire and do not seek for re-appointment at the forthcoming Annual General Meeting of the Company.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 29 March 2021.



HASNAH BINTI OMAR  
DIRECTOR



ONN KIEN HOE  
DIRECTOR

Kuala Lumpur  
29 March 2021



Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT BY DIRECTORS

#### PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Hasnah Binti Omar and Onn Kien Hoe, two of the Directors of Zurich General Takaful Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 31 to 128 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and the cash flows for the financial year ended 31 December 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 March 2021.



HASNAH BINTI OMAR  
DIRECTOR



ONN KIEN HOE  
DIRECTOR

Kuala Lumpur  
29 March 2021

### STATUTORY DECLARATION

#### PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

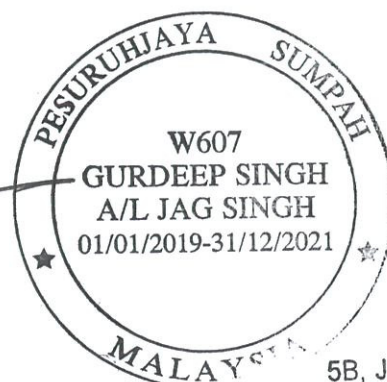

I, Nazrul Hisham bin Abdul Hamid, being the officer primarily responsible for the financial management of Zurich General Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 128 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



NAZRUL HISHAM BIN ABDUL HAMID

Subscribed and solemnly declared by the above named Nazrul Hisham bin Abdul Hamid at Kuala Lumpur in Malaysia on 29 March 2021, before me,

COMMISSIONER FOR OATHS



Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **SHARIAH COMMITTEE'S REPORT**

*In the name of Allah, the Beneficent, the Merciful*

In carrying out the roles and the responsibilities of the Zurich General Takaful Malaysia Berhad's Shariah Committee ("SC") as prescribed in the Shariah Governance Policy Document for Islamic Financial Institutions issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2020.

The Management of the Company is responsible to ensure that its conduct of businesses, dealing and activities are in accordance with the Shariah rules, principles and resolution made by the relevant Shariah authorities. Therefore, it is our responsibility to institute an independent opinion based on our review on the conduct and businesses entered by the Company to produce this report.

We had six seating of scheduled meetings and two special meetings for the financial year 2020 with the attendance of all members of SC were above 80%. During the meeting, we reviewed inter alia products, transactions, services, processes, documents, and updates on shariah control functions activities of the Company.

In carrying out our roles and responsibilities, we have obtained all the relevant information and explanations which we consider necessary in order to provide us with fair evidence to give reasonable assurance that the Company has complied with the Shariah rules and principles.

At the management level, the Head of Shariah who reports to us oversees the conduct and effectiveness of the internal Shariah functions i.e., Shariah Advisory, Research and Training. Shariah Review which resides in the Compliance Department, Shariah Risk at the Risk Management Department provide second line of defence independent assurance to the management and Shariah Audit that resides in the Internal Audit Department provide independent audit in accordance with three line of defence operating model. The roles of these functions are facilitating new research & product development activities, refining existing products and procedures, providing Shariah training, managing Shariah non-compliance risks, conducting Shariah audit and review and coordinating with us on any matter that requires our decision.

The following are the major developments that took place during the financial year which comes under our purview:

#### **Shariah Governance**

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Company following the revision of Shariah Governance Policy Document of BNM. This includes the restructuring of the Shariah Review function from Shariah Department to Compliance Department to improve and strengthen the Shariah governance and compliance culture in Zurich General Takaful Malaysia Berhad.

#### **Shariah Training & Awareness**

Throughout 2020, at least 10 Shariah trainings and briefing sessions were held covering more than 300 hundred participants. The trainings were conducted using various modes such as face-to-face and online mode. The awareness program was further reinforced via Z-Fence program with collaboration of other Shariah functions namely Shariah review, Shariah risk management and Shariah audit function. Overall, we are of the view that these programs would nourish the awareness of Shariah in the company.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **SHARIAH COMMITTEE'S REPORT (CONTINUED)**

#### **Shariah Control Functions**

The Shariah Control function plays a vital role in achieving the objective of ensuring Shariah compliance in the Company.

In 2020, the management had updated us on the transition of reporting line of Shariah Review function from Shariah department to Compliance department pursuant to the Shariah Governance Policy Document (SGPD) effective April 2020. The function had presented to us among other the new Shariah Review plan, the adoption of the Zurich Compliance Program-Compliance Assurance methodology into the Shariah Review Methodology to enable the function to perform its duties as intended.

The management also presented to us on the shariah risk initiatives to further enhance the management of shariah non-compliance risk (SNCR) through the amendment of the Shariah Risk Management Policy with the adoption of Self-Assessment of Operational Risk (SAOR) methodology to assess SNCR and implementation of internal SNCR parameters to assist identification of SNCR. In addition, various sessions on the SNCR methodology and processes had been conducted to increase awareness among the staff and to promote the shariah compliance culture in the Company.

In same period, Internal Audit had presented to us one report on Shariah Department for our information.

#### **Shariah Non-Compliance**

In 2020, no Shariah non-compliance (SNC) incident was reported to the Shariah Committee.

#### **Business Zakat and Purification**

During the financial year, the Company had carried out their responsibility to perform zakat guided by the Zakat Policy that was approved by us.

#### **Conclusion**

Based on the above, in our opinion, the state of the Company's compliance with Shariah as follow:

Nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Company were involved in any material Shariah non-compliances.

On that note, we, being the members of Shariah Committee of Zurich General Takaful Malaysia Berhad, do hereby certify that to our best knowledge the businesses and activities of the Company for the year ended 31 December 2020 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

Registration No.

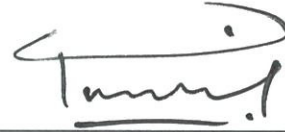
201701045981 (1260157-U)

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**SHARIAH COMMITTEE'S REPORT (CONTINUED)**

**On behalf of the Committee:**

Chairman of the Shariah Committee :



DR. YUSRI MOHAMAD

Shariah Committee :



ASSOC. PROF.DR. MD KHALIL RUSLAN

Kuala Lumpur  
29 March 2021



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)  
(Company No. 201701045981 (1260157-U))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Our opinion**

In our opinion, the financial statements of Zurich General Takaful Malaysia Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**What we have audited**

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 128.

**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 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

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



**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)  
(Company No. 201701045981 (1260157-U))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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.

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 the 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.

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:



**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)  
(Company No. 201701045981 (1260157-U))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company 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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD  
(CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 201701045981 (1260157-U)

OTHER MATTERS

This report is made solely to the member 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.

A stylized signature in black ink, likely representing the firm's name.

PRICE WATERHOUSE COOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
29 March 2021

A stylized signature in black ink, likely representing the individual auditor.

WONG HUI CHERN  
03252/05/2022 J  
Chartered Accountant



Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		2020			2019		
		Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
<b>ASSETS</b>	<b>Note</b>						
Property, plant and equipment	4	1,039	-	1,039	532	-	532
Right-of-use assets	5	2,684	-	2,684	4,429	-	4,429
Intangible assets	6	26,183	-	26,183	28,191	-	28,191
Investments	7	281,784	437,675	719,459	136,634	393,559	530,193
Takaful receivables	8	-	38,434	38,434	-	52,868	52,868
Retakaful assets	9	-	114,360	114,360	-	127,310	127,310
Other receivables	10	28,399	268	1,043	19,153	828	971
Current tax assets		-	1,833	1,833	-	-	-
Deferred tax assets	17	12,306	728	13,034	10,019	2,805	12,824
Cash and cash equivalents	11	123,117	305,837	428,954	228,760	175,433	404,193
<b>TOTAL ASSETS</b>		<b>475,512</b>	<b>899,135</b>	<b>1,347,023</b>	<b>427,718</b>	<b>752,803</b>	<b>1,161,511</b>

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

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONTINUED)

		2020			2019		
		Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
LIABILITIES	Note						
Takaful contract liabilities	12	-	795,505	795,505	-	659,576	659,576
Lease liabilities	13	2,875	-	2,875	4,747	-	4,747
Takaful payables	14	-	31,539	31,539	-	35,645	35,645
Other payables	15	32,870	72,091	77,337	26,842	53,736	61,568
Expense liabilities	16	40,035	-	40,035	32,152	-	32,152
Current tax liabilities		4,985	-	4,985	6,662	3,846	10,508
<b>TOTAL LIABILITIES</b>		<b>80,765</b>	<b>899,135</b>	<b>952,276</b>	<b>70,403</b>	<b>752,803</b>	<b>804,196</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	18	317,000	-	317,000	317,000	-	317,000
Retained earnings	19(a)	73,746	-	73,746	39,251	-	39,251
Available-for-sale reserve	19(b)	4,001	-	4,001	1,064	-	1,064
		<b>394,747</b>	<b>-</b>	<b>394,747</b>	<b>357,315</b>	<b>-</b>	<b>357,315</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>475,512</b>	<b>899,135</b>	<b>1,347,023</b>	<b>427,718</b>	<b>752,803</b>	<b>1,161,511</b>

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

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		2020			2019		
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Gross earned contributions	20	-	602,982	602,982	-	621,362	621,362
Contribution ceded to retakaful operators	20	-	(47,236)	(47,236)	-	(48,660)	(48,660)
<b>Net earned contributions</b>	<b>20</b>	<b>-</b>	<b>555,746</b>	<b>555,746</b>	<b>-</b>	<b>572,702</b>	<b>572,702</b>
Wakalah fee income		204,044	-	-	205,806	-	-
Surplus sharing from general takaful fund		10,000	-	-	4,750	-	-
Investment income	21	12,690	21,594	34,284	10,133	20,037	30,170
Realised gain	22	-	-	-	76	286	362
Fee and commission income	23	-	8,979	8,979	-	9,623	9,623
Other operating income – net		-	-	-	-	2,386	2,386
<b>Other income</b>		<b>226,734</b>	<b>30,573</b>	<b>43,263</b>	<b>220,765</b>	<b>32,332</b>	<b>42,541</b>
<b>Total revenue</b>		<b>226,734</b>	<b>586,319</b>	<b>599,009</b>	<b>220,765</b>	<b>605,034</b>	<b>615,243</b>
Gross benefits and claims paid	24	-	(262,090)	(262,090)	-	(288,854)	(288,854)
Claims ceded to retakaful operators	24	-	17,526	17,526	-	28,219	28,219
Gross change to contract liabilities	24	-	(97,746)	(97,746)	-	(112,444)	(112,444)
Change in contract liabilities ceded to retakaful operators	24	-	(13,130)	(13,130)	-	(13,260)	(13,260)
<b>Net benefits and claims</b>		<b>-</b>	<b>(355,440)</b>	<b>(355,440)</b>	<b>-</b>	<b>(386,339)</b>	<b>(386,339)</b>

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

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		2020			2019		
		Takaful Operator	General Takaful Fund	Company	Takaful Operator	General Takaful Fund	Company
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Wakalah fee expenses		-	(204,044)	-	-	(205,806)	-
Fee and commission expenses	23	(72,000)	-	(72,000)	(73,638)	-	(73,638)
Management expenses	25	(99,796)	-	(99,796)	(85,782)	-	(85,782)
Expense liabilities		(7,883)	-	(7,883)	(17,543)	-	(17,543)
Other operating expenses		(183)	(85)	(268)	(231)	-	(231)
<b>Other expenses</b>		<b>(179,862)</b>	<b>(204,129)</b>	<b>(179,947)</b>	<b>(177,194)</b>	<b>(205,806)</b>	<b>(177,194)</b>
<b>Total underwriting surplus from operations</b>		<b>46,872</b>	<b>26,750</b>	<b>63,622</b>	<b>43,571</b>	<b>12,889</b>	<b>51,710</b>
Surplus attributable to participants		-	(10,000)	(10,000)	-	(4,750)	(4,750)
Surplus attributable to Takaful Operator		-	(10,000)	-	-	(4,750)	-
<b>Profit before taxation</b>		<b>46,872</b>	<b>6,750</b>	<b>53,622</b>	<b>43,571</b>	<b>3,389</b>	<b>46,960</b>
Zakat		(1,208)		(1,208)	(1,089)	-	(1,089)
Taxation	26	(11,169)	(6,750)	(17,919)	(16,325)	(3,389)	(19,714)
<b>Net profit for the financial year</b>		<b>34,495</b>	<b>-</b>	<b>34,495</b>	<b>26,157</b>	<b>-</b>	<b>26,157</b>
<b>Basic earnings per share (sen)</b>	28	<b>0.12</b>			<b>0.09</b>	<b>-</b>	<b>-</b>

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

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2020				2019		
Note	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
<b>Net profit for the financial year</b>	34,495	-	34,495	26,157	-	26,157
<b>Other comprehensive income:</b>						
<b><u>Items that may be subsequently reclassified to profit or loss:</u></b>						
Fair value change on available-for-sale financial assets, net of deferred tax:						
- Gross fair value change arising during the financial year	3,864	-	3,864	1,367	-	1,367
- Gross fair value transferred to statement of profit or loss	-	-	-	(76)	-	(76)
- Deferred tax	(927)	-	(927)	(310)	-	(310)
Other comprehensive income for the financial year, net of tax	2,937	-	2,937	981	-	981
<b>Total comprehensive income for the financial year</b>	<b>37,432</b>	<b>-</b>	<b>37,432</b>	<b>27,138</b>	<b>-</b>	<b>27,138</b>

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

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Issued and fully paid ordinary shares	Non- distributable Available- for-sale reserve	Distributable Retained earnings	Total
	Share capital RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2020</b>	317,000	1,064	39,251	357,315
Net profit for the financial year	-	-	34,495	34,495
Other comprehensive income for the financial year	-	2,937	-	2,937
<b>At 31 December 2020</b>	<b>317,000</b>	<b>4,001</b>	<b>73,746</b>	<b>394,747</b>
<b>At 1 January 2019 – as previously reported</b>	259,000	83	13,125	272,208
Effects of adoption of MFRS 16 “Leases”	-	-	(31)	(31)
At 1 January 2019 – as restated	259,000	83	13,094	272,177
Issuance of shares during the financial year (Note 18)	58,000	-	-	58,000
Net profit for the financial year	-	-	26,157	26,157
Other comprehensive income for the financial year	-	981	-	981
<b>At 31 December 2019</b>	<b>317,000</b>	<b>1,064</b>	<b>39,251</b>	<b>357,315</b>

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

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM'000	2019 RM'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(utilised in) operating activities	29	18,122	(16,878)
Investment income received		36,742	28,602
Interest expense on lease liabilities		120	(212)
Income tax paid		(27,766)	(19,913)
<b>Net cash inflows/(outflows) from operating activities</b>		<b>27,218</b>	<b>(8,401)</b>
<b>INVESTING ACTIVITIES</b>			
Insurance proceeds in relation to property, plant and equipment	4	-	301
Purchase of property, plant and equipment	4	(783)	(3)
Purchase of intangible assets	6	(209)	(10,000)
<b>Net cash outflows from investing activities</b>		<b>(992)</b>	<b>(9,702)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares	18	-	58,000
Payment of lease liabilities	13	(1,465)	(1,003)
<b>Net cash (outflows)/inflows from financing activities</b>		<b>(1,465)</b>	<b>56,997</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,761</b>	<b>38,894</b>
Cash and cash equivalents at the beginning of the financial year		404,193	365,299
<b>Cash and cash equivalents at the end of the financial year</b>		<b>428,954</b>	<b>404,193</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	11	105,919	61,721
Fixed deposits with licensed financial institution with maturities less than 3 months	11	323,035	342,472
		<b>428,954</b>	<b>404,193</b>

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

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. PRINCIPAL ACTIVITIES AND GENERAL 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 are as follows:

##### Registered office

Level 25, Mercu 3,  
No. 3, Jalan Bangsar, KL Eco City,  
59200 Kuala Lumpur.

##### Principal place of business

Level 26 - 28, Mercu 3,  
No. 3, Jalan Bangsar, KL Eco City,  
59200 Kuala Lumpur.

The Company is engaged principally in the underwriting of all classes of general takaful business. There has been no significant change in the nature of this activity during the financial year

The Directors regard Zurich Holdings Malaysia Berhad as the immediate holding company, a company incorporated and domiciled in Malaysia. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both companies are incorporated in Switzerland.

Zurich Insurance Group Ltd. is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2021.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

##### **2.1 Basis of preparation**

The financial statements of the Company has been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and comply with the requirements of the Companies Act 2016 in Malaysia.



## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the Company-level financial statements in the statement of financial position, the statements of profit or loss, comprehensive income, changes in equity and cash flows as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("the RBCT Framework") as at the date of the statement of financial position.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

The preparation of financial statements in conformity of MFRS requires the use of terminology under relevant standards. The use of key terms such as "insurance", "reinsurance" in the financial statements refers to Shariah compliant Takaful or Islamic insurance transactions, assets or liabilities.

Financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All the values in these financial statements have been rounded to the nearest thousand (RM'000), except when indicated otherwise.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations**

- (i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2020 are as follows:

- The Conceptual Framework for Financial Reporting (Revised 2018)

The Framework was revised with the primary purpose to assist the Malaysian Accounting Standards Board ("MASB") to develop MFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an MFRS. The Framework is not an MFRS and does not override any MFRSs.

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting – clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.
- Qualitative characteristics of useful financial information – reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.
- Clarification on reporting entity for financial reporting – introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
- Elements of financial statements – the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
- Recognition and derecognition – the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided.
- Presentation and disclosure - clarification that statements of income is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of statements of income.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

- (i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company (continued)

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2020 are as follows: (continued)

- The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

###### Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to MFRS 101 and MFRS 108 "Definition of Material"

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

- (i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company (continued)

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2020 are as follows: (continued)

- Amendments to MFRS 3 "Definition of a Business"

The amendments clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

- Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS 9"

The amendments defer the effective date of MFRS 17 (incorporating the amendments) and extend the temporary exemptions for MFRS 9 "Financial Instruments" by 2 years to annual reporting periods beginning on or after 1 January 2023.

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance/takaful contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4, the related liabilities from insurance/takaful contracts are often measured on amortised cost basis.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

- (i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company (continued)

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2020 are as follows: (continued)

- Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS 9" (continued)

The amendments provide 2 different approaches for entities:

- a temporary exemption from MFRS 9 for entities that meet specific requirements; and
- the overlay approach.

Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

Based on the analysis performed, the Company was eligible to apply the temporary exemption as the predominance ratio reflecting the share of liabilities connected to insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2020 as there is no significant change in the activities performed by the Company. Due to the strong interaction between underlying assets held and the measurement of insurance contracts, the Company decided to use the option to defer the full implementation of MFRS 9 until MFRS 17 "Insurance Contracts" becomes effective on 1 January 2023.

For further information on the effects from MFRS 9, Note 38 shows the fair value and carrying value of financial assets separately between financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets. Other financial assets consist of assets with contractual cash flows that are not SPPI and assets measured at fair value through profit or loss under MFRS 139.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

(a) Effective from financial year beginning on or after 1 June 2020

- Amendments to MFRS 16 “COVID-19 Related Rent Concessions”

The amendment grants an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (i) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (ii) there is no substantive change to other terms and conditions of the lease.

The amendments are to be applied retrospectively.

(b) Effective from financial year beginning on or after 1 January 2022

- Amendments to MFRS 116 “Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment (“PPE”) the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

- Annual Improvements to MFRSs 2018 – 2020 Cycle

Amendments to MFRS 16 “Leases” – Lease Incentives

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(b) Effective from financial year beginning on or after 1 January 2022 (continued)

- Amendments to MFRS 137 “Onerous Contracts – Cost of Fulfilling a Contract”

The amendments clarify that direct cost of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments shall be applied to contracts for which the entity has yet to fulfil all its obligations at the beginning of annual reporting period in which the amendments are first applied. Comparative information is not restated.

(c) Effective from financial year beginning on or after 1 January 2023

- Amendments on Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101)

The MFRS 101 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period.

The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with MFRS 132 “Financial Instruments: Presentation”. Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument.

These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(c) Effective from financial year beginning on or after 1 January 2023 (continued)

- MFRS 17 “Insurance Contracts” and its amendments

###### **Effective date**

The amendments defer the effective date of MFRS 17 (incorporating the amendments) and extend the temporary exemptions for MFRS 9 “Financial Instruments” by 2 years to annual reporting periods beginning on or after 1 January 2023.

###### **Expected recovery of insurance acquisition cash flows**

An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

###### **Reinsurance contracts held - recovery of losses**

When an entity recognises a loss on initial recognition of an onerous group of underlying insurance/takaful contracts, it should adjust the contractual service margin of a related group of reinsurance/retakaful contracts held and recognise a gain on the reinsurance/retakaful contracts held. The amount of the loss recovered from a reinsurance/retakaful contract held is determined by multiplying the loss recognised on the underlying insurance/takaful contracts and the % of claims on the underlying insurance/takaful contracts that the entity expects to recover from the reinsurance/retakaful contract held. This requirement would apply only when the reinsurance/retakaful contract held is recognised before or at the same time as the loss is recognised on the underlying insurance/takaful contracts.

###### **Contractual service margin attributable to investment services**

The amendment requires an entity that issues insurance/takaful contracts without direct participation features to recognise profit when it provides insurance coverage or any service relating to investment activities. Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance/takaful contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholders.



## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.1 Basis of preparation (continued)**

###### **(a) Standards, amendments to published standards and interpretations (continued)**

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(c) Effective from financial year beginning on or after 1 January 2023 (continued)

- MFRS 17 “Insurance Contracts” and its amendments (continued)

###### **Other amendments include the following:**

- Scope exclusions for some credit card (or similar) contracts, and some loan contracts.
- Presentation of insurance/takaful contract assets and liabilities in the statement of financial position in portfolios instead of groups (sub-portfolio) level.
- Entities are also allowed to apply the risk migration option when mitigating financial risks using reinsurance/retakaful contracts held and non-derivative financial instruments at fair value through profit or loss.
- An accounting policy choice to change the estimate made in previous interim financial statements when applying MFRS 17.
- Other minor amendments.

The Company plans to adopt the new standard on the required effective date. A Project Steering Committee has been formally set up by the Company to steer decisions and oversees the implementation of MFRS 17. Major enhancements on the accounting and actuarial systems have been completed. Moving forward, our focus would primarily be on finalising the implementation efforts and analysing the effects of MFRS 17 on the financial statements.

Other than MFRS 9 and MFRS 17, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2021 are not relevant to the Company.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Changes in accounting policies upon early adoption of Amendments to MFRS 16 “Covid-19 Related Rent Concessions”**

The Company has elected to early adopt Amendments to MFRS 16 “Covid-19 Related Rent Concessions” for the first time in the financial statements for the financial year ended 31 December 2020; with the date of initial application at 1 January 2020, which resulted in changes in accounting policies.

In accordance with the transitional provisions provided in the amendments to MFRS 16, the comparative information for 2019 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16.

Under the amendments to MFRS 16, the Company is not required to assess whether a rent concession that occurs as a direct consequence of Covid-19 pandemic and meets all of the specified conditions is a lease modification.

The Company accounts for such Covid-19-related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

##### **2.3 Summary of significant accounting policies**

###### **(a) Capital reorganisation**

Where a newly incorporated entity which does not meet the definition of a business is set up to effect a transfer of business from another entity under common control, such acquisition does not meet the definition of a business combination in accordance with MFRS 3 “Business Combinations”.

The transfer of the general takaful business from Zurich Takaful Malaysia Berhad (“ZTMB”) to the Company that is ultimately controlled by the same party has no economic substance. Therefore, this transfer is accounted for as a capital reorganisation in the financial statements of the Company. The assets and liabilities of the general takaful business are incorporated at their pre-combination carrying amounts without any fair value changes.

The difference between net assets and liabilities acquired at the beginning of the financial year and the consideration paid is accounted for as a reorganisation reserve.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Summary of significant accounting policies (continued)****(b) Property, plant and equipment and depreciation**

Property, plant and equipment are initially stated at cost. These include expenditures that are directly attributed to the acquisition of the assets.

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 asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Computer hardware	5 years
Motor vehicles	5 to 10 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.3(j) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss.

**(c) Intangible assets**Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring in use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and appropriate portion of relevant overheads to prepare the asset for its intended use.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(c) Intangible assets (continued)**

###### Computer software (continued)

Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives for three to five years, with the useful lives being reviewed annually.

Computer software under development is not amortised until the asset is ready for its intended use.

###### Other intangible assets

Other intangible assets are the exclusive bancatakaful agreement with Alliance Islamic Bank Berhad for the distribution of the Company's takaful products, and direct customer relationship acquired through the acquisition of general takaful portfolio from a third party. These assets are measured at cost less any accumulated amortisation and any impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 15 years.

At each reporting date, the Company assesses whether there is any indication of impairment of its intangible assets. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(j) on impairment.

###### **(d) Leases**

###### The Company as a lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(d) Leases (continued)**

###### The Company as a lessee (continued)

###### **(i) Lease term**

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

###### **(ii) ROU asset**

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The ROU asset is subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU asset is depreciated over the shorter of the of asset's useful life and the lease term using the straight-line method. The ROU asset is adjusted for certain remeasurement of lease liability.

The amortisation period are as follows:

- Leasehold premises 2 – 6 years

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(d) Leases (continued)**

###### The Company as a lessee (continued)

###### **(iii) Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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

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

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of profit or loss.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Company has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(d) Leases (continued)**

###### The Company as a lessee (continued)

During the financial year, the Company elects to account for a Covid-19 related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (iii) there is no substantive change to other terms and conditions of the lease.

The Company accounts for such Covid-19 related rent concession as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs. The Company presents the impacts of rent concessions within profit or loss.

###### **Accounting policies applied until 31 December 2019**

Until 31 December 2019, a change in lease payments, other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, depends on whether that change meets the definition of a lease modification.

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

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

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(e) Investments and other financial assets**

The Company classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss ("FVTPL"), financing receivables and available-for-sale ("AFS") financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

###### **(i) Financial assets measured at FVTPL**

The Company classifies investments acquired for the purpose of selling in the short-term as held-for-trading, as FVTPL. Derivatives are also classified as held-for-trading unless they are designated as hedges.

These investments are initially recorded at fair value and transaction costs are expensed in profit or loss. Subsequent to initial recognition, these assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

###### **(ii) Financing receivables**

Financing receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with licensed Islamic financial institutions with maturities more than 3 months).

Financial assets categorised as financing receivables are subsequently measured at amortised cost using the effective profit method.

###### **(iii) AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets' categories. These investments are initially recognised at fair value. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired.

Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument.



## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(e) Investments and other financial assets (continued)**

###### **(iii) AFS financial assets (continued)**

The translation differences on monetary instruments are recognised in profit or loss; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred through the statement of comprehensive income to profit or loss.

###### **(f) Fair value of financial instruments**

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published (closing) price at the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published (closing) price at the date of the statement of financial position.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

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.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(g) Recognition of financial assets**

All regular way of purchases and sales of financial assets are recognised on trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention of market price.

###### **(h) Financial instrument - Derecognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership. On decognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

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

The Company assesses at each date of the statement of financial position, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

###### **(i) Financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the 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 asset's original effective profit rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

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 that 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 the date of the statement of financial position.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(i) Impairment of financial assets (continued)**

###### **(i) Financial assets carried at amortised cost (continued)**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

###### **(ii) AFS financial assets**

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is an objective evidence of impairment, resulting in the recognition of an impairment loss.

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 the profit or loss, is transferred from equity through the statement of comprehensive income to profit or loss. 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.

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to profit or loss immediately. A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(k) Takaful receivables**

Takaful receivables are recognised when due and measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognise that impairment loss in profit or loss. The Company gathers objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(i) to the financial statements.

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3(h) to the financial statements, have been met.

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

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

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

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

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

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(n) Provisions**

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

###### **(o) Other financial liabilities and takaful payable**

Other financial liabilities and takaful payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability and a takaful payable are derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

###### **(p) Equity instruments**

###### Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Ordinary shares are recorded at nominal value.

###### Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid. No provision is made for a proposed dividend.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(q) Takaful product classification**

A takaful contract is an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (General Risk Fund) providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events.

Contracts where insignificant takaful risks are accepted by the Funds are classified as service contracts. The Company defines takaful risk to be significant by comparing benefits paid with benefits payable if the takaful event did not occur. Based on this definition, all takaful contracts issued by the Company met the definition of takaful contracts as at the date of this statement of financial position.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

###### **(r) General Takaful Fund**

###### Contribution income

Contribution for direct and co-takaful business is recognised in respect of risks assumed during the particular financial year as soon as the amount can be reliably measured, based on issuance of certificates, and in accordance with the principles of Shariah as advised by the Company's Shariah Committee.

Contributions in respect of risks incepted before the reporting date for which certificates are issued subsequent to the end of reporting date are accrued for at the reporting date.

Inward retakaful contributions are accounted for upon notification by the ceding companies or upon receipt of the statement of accounts.

Outward retakaful contributions are recognised in the same financial year as the original certificate to which the retakaful relates.

###### Takaful contract liabilities recognition

Takaful Fund's contract liabilities consist of claim liabilities and contribution liabilities are recognised when contracts are entered into and contributions are charged.

###### **(a) Claim liabilities**

Liabilities for outstanding claims are recognised in respect of both direct takaful business and co-takaful business. The claim liabilities are the best estimate together with related provision of risk margin for adverse deviation less retakaful recoveries, if any, to settle the present contractual obligations at the reporting date.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(r) General Takaful Fund (continued)**

###### Takaful contract liabilities recognition (continued)

Takaful Fund's contract liabilities consist of claim liabilities and contribution liabilities are recognised when contracts are entered into and contributions are charged.

###### **(a) Claim liabilities (continued)**

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less retakaful recoveries, in respect of claims notified but not settled at the date of statement of financial position. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at date of the statement of financial position, based on an actuarial valuation with additional risk margin.

###### **(b) Contribution liabilities**

The unearned contribution reserves ("UCR") represent contributions received after wakalah fee deduction for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised in statement of profit or loss of the General Takaful Fund.

Contribution liabilities refer to the higher of: -

- I. the aggregate of the Unearned Contribution Reserves ("UCR"); or
- II. the best estimate value of the Unexpired Risk Reserves ("URR") at the valuation date and the Fund Provision of Risk Margin Deviation ("FPRAD") and calculated at the overall fund level.

UCR represents the portion of the contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period.

In determining the UCR at the date of the statement of financial position, the method that most accurately reflects the actual unearned contribution is used, as follows:

- 25% method for marine cargo, aviation cargo, and transit business; and
- 1/365th method for all other classes of direct and facultative inwards business.

At each reporting date, the Company assesses whether the UCR is sufficient to cover all expected future cash flows relating to future claims plus the additional risk margin against current takaful contracts. The Company applies a risk margin to achieve the same probability of sufficiency of future claims as is achieved by the estimate of the outstanding claims liabilities, see note3(c).

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(s) Retakaful**

The Company cedes takaful risk in the normal course of business for all their businesses. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful operator's policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the Company from their obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not receive all outstanding amounts due under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operators. The impairment loss is recorded in the profit or loss.

The Company also assume retakaful risk in the normal course of business for general takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operator. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the takaful fund. Investment income on these contracts is accounted for using the effective yield method when accrued.



## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(t) Expense liabilities**

The expense liabilities of the Takaful Operator's fund consist of expenses cost to service all in-force certificates as well as to process all future claims. The expense liabilities are released over the term of the Takaful certificate and recognised in the profit or loss of the Takaful Operator Fund.

The expense liabilities are reported at the higher of the aggregate of unearned wakalah fee ("UWF") and unexpired expense risk ("UER") together with related provision of risk margin for adverse deviation as at the end of the financial year.

###### Unearned wakalah fee ("UWF")

The UWF represent the portion of wakalah fee income allocated for management expenses of General Takaful certificates that relate to the unexpired periods of certificates at the end of the financial year. The method used in computing UWF is consistent with the calculation of UCR.

###### Unexpired expense risk ("UER")

The UER is the estimated expenses costs to service all in-force certificates as well as to process all outstanding claims and future incurred losses as at valuation date. In estimating the UER, the following costs are considered:

- Unallocated adjustment expenses with respect to the claims liabilities;
- Unallocated adjustment expenses with respect to the unexpired risk future loss; and
- On-going certificate servicing cost arising from the unearned portion of the contribution collected.

The Company applies a risk margin to achieve the same probability of sufficiency of future expenses as is achieved by the estimate of the outstanding claims liabilities.

###### **u) Wakalah fee**

The wakalah fee is defined as a fee arranged under wakalah contract where the Takaful Operator is entitled to receive fees for carrying out the authorised task that have been delegated to the Takaful Operator. The wakalah fee is an income to the Takaful Operator and is charged to the participant and correspondingly recognised as an expense in the respective funds' profit or loss. The fee can be a fixed amount or as a percentage ratio of the contribution or fund value. The manner of payment can be in one lump sum or in several payments. This is in accordance with the principal of wakalah as approved by the Shariah Committee and the fee is determined and agreed between the participant and the Takaful Operator at the time of entering into the contract.

Commission, acquisition costs and management expenses of the General Takaful Funds are borne by the Takaful Operator and included as a component of wakalah fee income.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(v) Commission and acquisition costs**

Commission and acquisition costs are borne by the Takaful Operator in the Takaful Operator Fund's profit or loss at an agreed percentage for each certificate underwritten. This is in accordance with the principles of wakalah as approved by the Shariah Committee and is as agreed between the participants and the Company.

Gross commission and agency expenses, which are costs directly incurred in securing contributions on takaful certificates, and income derived from retakaful companies in the course of ceding contributions to retakaful, are charged to profit or loss in the period in which they are incurred.

###### **(w) Other revenue recognition**

Investment income is recognised on a time proportion basis that takes into account the effective yield of the asset. Profits including the amount of amortisation of contribution and accretion of discount are recognised on a time proportion basis taking into account the principal outstanding and the effective date over the period to maturity, when it is determined that such income will accrue to the Company.

Dividend income is recognised in the profit or loss when the right to receive payment is established.

Realised gain or loss arising on disposals of investments are credited or charged to the profit or loss.

###### **(x) Zakat**

Zakat represents alms payable by the Company to comply with the principles of Shariah and as approved by the Shariah Committee of the Company. Zakat is only provided for when obligation exists at the reporting date.

###### **(y) Income taxes**

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(y) Income taxes (continued)**

The current income tax charge is determined according to the tax laws enacted of the jurisdiction in which the Company operates and includes all taxes based upon taxable profit.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided for in full, using the liability method. 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 future taxable profits 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 difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each date of the statement of financial position and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

###### **(z) Employee benefits**

###### Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Summary of significant accounting policies (continued)**

###### **(z) Employee benefits (continued)**

###### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial period. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

Once the contributions have been paid, the Company has no further payment obligations.

###### Long term incentive plan

The ultimate holding corporation, Zurich Insurance Group Ltd ("ZIGL"), operates a global long term incentive plans ("LTIP") wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL Group of Companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit.

LTIP Award for the Company's eligible directors and/or senior executives will be cash-settled and shall not be in the form of Zurich Insurance Group shares whilst maintaining all other eligibility condition and long-term performance criteria applied to other LTIP recipients of ZIGL Group.

The cost of this cash-settled LTIP for the Company is recognised in the statement of profit and loss over the vesting period of the grant.

###### Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates:

- (a) when the Company can no longer withdraw the offer of those benefits; and
- (b) when the Company recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### (a) The ultimate liability arising from claims incurred under takaful contracts

The estimation of claims “Incurred But Not Reported” (“IBNR”) is subjected to a greater degree of uncertainty than the estimation of cost of notified claims to the Company. IBNR claims may not be apparent to the certificate until many years after the event giving rise to the claim. The long-tailed classes of business will typically display greater uncertainty between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short-tailed classes, claims are generally typically reported soon after the claim event, and hence tend to display lower level of uncertainty.

The Company uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. Due to the fact that the ultimate claims liabilities are dependent upon the outcome of future events, allowance is made with the following consideration:

- Changes in the Company’s processes which might accelerate or slow down the development claims, compared with the data from previous periods;
- Changes in the legislation environment;
- Changes in the mix of business;
- Impact of large losses and catastrophic events;
- The attitudes of claimants towards settlement of their claims;
- The effects of social and economic inflation; and
- Medical and technological developments.

Large and/or significant weather-related events impacting each relevant business class are generally assessed separately (whenever it is deemed as appropriate), being measured on a case by case basis or projected separately in order to allow for the effect of the development and incidence of these claims.

Where possible the Company adopts multiple techniques to estimate the required level of liabilities. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various techniques used and the information available at hand.

Liabilities are evaluated gross of retakaful. A separate estimate is made of the amounts that will be recoverable based upon the gross liabilities.

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

##### **(b) Assets arising from retakaful contracts**

Retakaful recoveries are also computed with the considerations described above. In addition, the recoverability of these assets is assessed on a periodic basis so that the balance is reflective of the amounts that will ultimately be received.

##### **(c) Actuarial assumptions and methods**

The process for determining the value of outstanding claims liabilities including the cost of claims handling is described below.

The methods used to establish the ultimate cost of claims include the following:

- Projecting ultimate numbers of claims and multiplying by projected ultimate average cost;
- Projecting ultimate claim payments amounts;
- Projecting ultimate claim incurred amounts; and
- Applying plan or forecast loss ratios to the earned contributions.

Additional qualitative judgements are also used to assess the extent to which past trends may not apply in the future. Thus, there is uncertainty surrounding changes to these patterns from whatever cause and known facts of individual claims at hand.

Projected retakaful assets are derived by applying retakaful to gross ratios observed on claims and contributions.

Projected payments are implicitly allowed for future inflation since any recent inflationary effects are likely to be incorporated in the Company's outstanding claims and hence reflected in the valuation process.

For the above reasons, a risk margin for adverse deviation ("PRAD") is added to the central estimate established above. The establishment of the risk margin takes into account the variability of the outcome of each line of business and the diversification benefit of writing a number of lines of business. In accordance with Bank Negara Malaysia's 'Risk-Based Capital Framework for Takaful Operators', the Company has established the level of risk margin to provide a probability of adequacy of 75%.

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (d) Assumptions applied for MFRS 16 “Leases”

###### Determination of incremental borrowing rate

The lease liabilities are measured at the present value of the remaining lease payments over the lease term, discounted using the Company’s incremental borrowing rate as the rate implicit in the lease is generally not readily determinable.

###### Extension and termination options

Any options to extend or terminate a lease that the Company is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognised at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The lease term will be considered to extend beyond the non-cancellable period if the lessee has an extension option that is considered to be reasonably certain to exercise, or a termination option that is considered to be reasonably certain not to exercise.

The Company has several lease contracts that include extension and termination options. The Company has included the renewal period as part of the lease term as the Company is reasonably certain to exercise the option to extend the lease. The Company considers all relevant facts and circumstances that create an economic incentive to exercise or not to exercise the option including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Computer hardware</b>	<b>Motor vehicle</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>			
At 1 January 2020	830	-	830
Additions	469	314	783
Disposal	-	-	-
At 31 December 2020	<u>1,299</u>	<u>314</u>	<u>1,613</u>
<b>Accumulated depreciation</b>			
At 1 January 2020	299	-	299
Charge for the financial year (Note 25)	228	47	275
Disposal	-	-	-
At 31 December 2020	<u>527</u>	<u>47</u>	<u>574</u>
<b>Net carrying amount</b>			
At 31 December 2020	<u>772</u>	<u>267</u>	<u>1,039</u>

	<b>Computer hardware</b>	<b>Motor vehicle</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>			
At 1 January 2019	828	377	1,205
Additions	3	-	3
Disposal	-	(377)	(377)
At 31 December 2019	<u>831</u>	<u>-</u>	<u>831</u>
<b>Accumulated depreciation</b>			
At 1 January 2019	138	32	170
Charge for the financial year (Note 25)	161	44	205
Disposal	-	(76)	(76)
At 31 December 2019	<u>299</u>	<u>-</u>	<u>299</u>
<b>Net carrying amount</b>			
At 31 December 2019	<u>532</u>	<u>-</u>	<u>532</u>



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5. RIGHT-OF-USE ASSETS**

The Company's leases are operating lease agreements entered in respect of rented premises. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension periods.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Cost</b>		
At 1 January	6,029	-
Adjustments on adoption of MFRS 16	-	6,029
At 1 January – as restated	6,029	6,029
Remeasurement	(514)	-
At 31 December	<u>5,515</u>	<u>6,029</u>
<b>Accumulated depreciation</b>		
At 1 January	1,600	-
Adjustments on adoption of MFRS 16	-	392
At 1 January - as restated	1,600	392
Charge for the financial year (Note 25)	1,231	1,208
At 31 December	<u>2,831</u>	<u>1,600</u>
<b>Net carrying amount</b>		
At 31 December	<u>2,684</u>	<u>4,429</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. INTANGIBLE ASSETS**

	<b>Self-developed software</b>	<b>Other intangible asset</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>			
At 1 January 2020	1,886	30,000	31,886
Additions	209	-	209
At 31 December 2020	<u>2,095</u>	<u>30,000</u>	<u>32,095</u>
<b>Accumulated amortisation</b>			
At 1 January 2020	1,695	2,000	3,695
Charge for the financial year (Note 25)	216	2,000	2,216
At 31 December 2020	<u>1,911</u>	<u>4,000</u>	<u>5,911</u>
<b>Net carrying amount</b>			
At 31 December 2020	<u>183</u>	<u>26,000</u>	<u>26,183</u>

	<b>Self-developed software</b>	<b>Other intangible asset</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>			
At 1 January 2019	1,886	20,000	21,886
Additions	-	10,000	10,000
At 31 December 2019	<u>1,886</u>	<u>30,000</u>	<u>31,886</u>
<b>Accumulated amortisation</b>			
At 1 January 2019	1,189	222	1,411
Charge for the financial year (Note 25)	506	1,778	2,284
At 31 December 2019	<u>1,695</u>	<u>2,000</u>	<u>3,695</u>
<b>Net carrying amount</b>			
At 31 December 2019	<u>191</u>	<u>28,000</u>	<u>28,191</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. INTANGIBLE ASSETS (CONTINUED)**

The self-developed software costs are in relation to internal development expenditure incurred for the software systems controlled by the Company that do not form an integral part of the hardware. These systems will generate economic benefits exceeding costs beyond one year.

Other intangible assets relate to the exclusive bancatakaful agreement with Alliance Islamic Bank Berhad and direct customer relationship acquired through the acquisition of general takaful portfolio from a third party. These assets are measured at cost less any accumulated amortisation and any impairment losses. Both assets are amortised over its useful life of 15 years using straight-line method.

The following key assumptions have been used in the cash flow projections in respect of bancatakaful agreement:

<b>Key assumptions</b>	<b>2020</b>	<b>2019</b>
Bancatakaful average annualised gross written contribution growth rate	11.88%	12.25%
Discount rate - pre tax	12.65%	8.11%

**Sensitivity to changes in key assumptions**

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in an impairment.

**7. INVESTMENTS**

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

		<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>				
Financing receivables	(a)	-	3,124	3,124
Available-for-sale ("AFS") financial assets	(b)	281,784	434,551	716,335
		<u>281,784</u>	<u>437,675</u>	<u>719,459</u>
The following investments mature after 12 months:				
AFS financial assets		<u>241,920</u>	<u>367,332</u>	<u>609,252</u>
 <u>At 31 December 2019</u>				
Financing receivables	(a)	-	1,560	1,560
Available-for-sale ("AFS") financial assets	(b)	136,634	391,999	528,633
		<u>136,634</u>	<u>393,559</u>	<u>530,193</u>
The following investments mature after 12 months:				
AFS financial assets		<u>125,423</u>	<u>343,532</u>	<u>468,955</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. INVESTMENTS (CONTINUED)****(a) Financing receivables**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>			
Amortised cost:			
Fixed deposit with licensed financial institutions	-	3,124	3,124
	<u>-</u>	<u>3,124</u>	<u>3,124</u>
<u>At 31 December 2019</u>			
Amortised cost:			
Fixed deposit with licensed financial institutions	-	1,560	1,560
	<u>-</u>	<u>1,560</u>	<u>1,560</u>

As at 31 December 2020, the fixed deposit of RM3,124,000 (2019: RM1,560,000) has a maturity year of more than 3 months placed with a licensed Islamic bank.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. INVESTMENTS (CONTINUED)****(b) AFS financial assets**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>			
Fair value:			
Islamic debt securities, unquoted	281,784	434,551	716,335
	<u>281,784</u>	<u>434,551</u>	<u>716,335</u>
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>			
Fair value:			
Islamic debt securities, unquoted	136,634	391,999	528,633
	<u>136,634</u>	<u>391,999</u>	<u>528,633</u>

**(c) Carrying value of financial instruments**

The movements in the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category.

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At 1 January	528,633	325,026
Purchases	250,350	295,691
Disposals (sale and redemptions)	(69,700)	(99,539)
Realised profit in statement of profit and loss (Note 22)	–	362
Fair value gains recorded in:		
- Other comprehensive income	3,864	1,291
- Takaful contract liabilities	5,645	5,350
Amortisation/profit adjustment	(2,457)	452
At 31 December	<u>716,335</u>	<u>528,633</u>

The fair value hierarchy of investments is disclosed in Note 33 to the financial statements.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. TAKAFUL RECEIVABLES**

	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>		
Due contributions including agents/brokers and co-takaful	38,850	38,850
Due from retakaful and cedants	6,546	6,546
	<u>45,396</u>	<u>45,396</u>
Allowance for impairment	(6,962)	(6,962)
	<u>38,434</u>	<u>38,434</u>
	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>		
Due contributions including agents/brokers and co-takaful	46,332	46,332
Due from retakaful and cedants	14,544	14,544
	<u>60,876</u>	<u>60,876</u>
Allowance for impairment	(8,008)	(8,008)
	<u>52,868</u>	<u>52,868</u>

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****9. RETAKAFUL ASSETS**

	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>		
Retakaful of takaful contracts		
Claims liabilities (Note 12(i))	101,062	101,062
Unearned contribution reserves (Note 12(ii))	13,298	13,298
	<u>114,360</u>	<u>114,360</u>
	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>		
Retakaful of takaful contracts		
Claims liabilities (Note 12(i))	114,079	114,079
Unearned contribution reserves (Note 12(ii))	13,231	13,231
	<u>127,310</u>	<u>127,310</u>

The carrying amounts approximate fair values at the date of the statement of financial position.

**10. OTHER RECEIVABLES**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>			
Other receivables, deposits and prepayments	<u>775</u>	<u>268</u>	<u>1,043</u>
Inter-fund balances			
Amount due from General Takaful Fund	17,624	-	-
Surplus receivable from General Takaful Fund	10,000	-	-
	<u>27,624</u>	<u>-</u>	<u>-</u>
	<u>28,399</u>	<u>268</u>	<u>1,043</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10. OTHER RECEIVABLES (CONTINUED)**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>			
Other receivables, deposits and prepayments	143	828	971
Inter-fund balances			
Amount due from General Takaful Fund	14,260	-	-
Surplus receivable from General Takaful Fund	4,750	-	-
	19,010	-	-
	19,153	828	971

The carrying amounts approximate fair values at the date of the statement of financial position.

**11. CASH AND CASH EQUIVALENTS**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>			
Cash and bank balances	30,934	74,985	105,919
Fixed deposits with licensed financial institutions with maturities of less than 3 months	92,183	230,852	323,035
	123,117	305,837	428,954
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>			
Cash and bank balances	14,074	47,647	61,721
Fixed deposits with licensed financial institutions with maturities of less than 3 months	214,686	127,786	342,472
	228,760	175,433	404,193



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. TAKAFUL CONTRACT LIABILITIES**

The Takaful contract liabilities and movements are further analysed as follows:

	<b>Gross</b>	<b>Re-takaful</b>	<b>Net</b>
<u>At 31 December 2020</u>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for claims	325,174	(78,987)	246,187
Provision for incurred but not reported claims ("IBNR")	129,483	(11,291)	118,192
Provision for adverse deviation ("PRAD")	38,594	(10,784)	27,810
Claim liabilities (i)	493,251	(101,062)	392,189
Unearned contribution reserves (ii)	236,736	(13,298)	223,438
AFS fair value adjustment (iii)	8,663	-	8,663
Unallocated surplus (iv)	56,855	-	56,855
	<u>795,505</u>	<u>(114,360)</u>	<u>681,145</u>
<u>(i) Claims liabilities</u>			
At 1 January	404,482	(114,079)	290,403
Claims incurred in the financial year	345,587	(5,291)	340,296
Claims paid during the financial year (Note 24(a) and 24(b))	(262,090)	17,526	(244,564)
Movement in PRAD	5,272	782	6,054
At 31 December	<u>493,251</u>	<u>(101,062)</u>	<u>392,189</u>
<u>(ii) Unearned contribution reserves</u>			
At 1 January	202,876	(13,231)	189,645
Contribution written in the financial year (Note 20(a) and 20(b))	636,842	(47,303)	589,539
Contribution earned during the financial year (Note 20(a) and 20(b))	(602,982)	47,236	(555,746)
At 31 December	<u>236,736</u>	<u>(13,298)</u>	<u>223,438</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

The Takaful contract liabilities and movements are further analysed as follows:

	<b>Gross</b>	<b>Deferred tax</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>(iii) AFS reserve</u>			
At 1 January	5,754	(1,381)	4,373
Fair value movements arising from AFS financial assets	5,645	(1,355)	4,290
At 31 December 2020	<u>11,399</u>	<u>(2,736)</u>	<u>8,663</u>
	<b>Gross</b>	<b>Re- takaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>(iv) Unallocated surplus</u>			
At 1 January	47,845	-	47,845
Surplus during the financial year	29,010	-	29,010
Surplus distributed during the financial year	(20,000)	-	(20,000)
At 31 December 2020	<u>56,855</u>	<u>-</u>	<u>56,855</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

	<b>Gross</b>	<b>Re- takaful</b>	<b>Net</b>
<u>At 31 December 2019</u>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for claims	275,152	(85,446)	189,706
Provision for incurred but not reported claims ("IBNR")	95,974	(16,955)	79,019
Provision for adverse deviation ("PRAD")	33,356	(11,678)	21,678
Claim liabilities (i)	404,482	(114,079)	290,403
Unearned contribution reserves (ii)	202,876	(13,231)	189,645
AFS fair value adjustment (iii)	4,373	-	4,373
Unallocated surplus (iv)	47,845	-	47,845
	<u>659,576</u>	<u>(127,310)</u>	<u>532,266</u>
<u>(i) Claims liabilities</u>			
At 1 January	326,757	(127,431)	199,326
Claims incurred in the financial year	360,694	(16,524)	344,170
Claims paid during the financial year (Note 24(a) and 24(b))	(288,854)	28,219	(260,635)
Movement in PRAD	5,885	1,657	7,542
At 31 December	<u>404,482</u>	<u>(114,079)</u>	<u>290,403</u>
<u>(ii) Unearned contribution reserves</u>			
At 1 January	170,544	(11,982)	158,562
Contribution written in the financial year (Note 20(a) and 20(b))	653,694	(49,909)	603,785
Contribution earned during the financial year (Note 20(a) and 20(b))	(621,362)	48,660	(572,702)
At 31 December	<u>202,876</u>	<u>(13,231)</u>	<u>189,645</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

The Takaful contract liabilities and movements are further analysed as follows:

	<b>Gross</b>	<b>Deferred tax</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>(iii) AFS reserve</u>			
At 1 January	404	-	404
Fair value movements arising from AFS financial assets	5,350	(1,381)	3,969
At 31 December 2019	<u>5,754</u>	<u>(1,381)</u>	<u>4,373</u>
	<b>Gross</b>	<b>Re- takaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>(iv) Unallocated surplus</u>			
At 1 January	12,935	-	12,935
Surplus during the financial year	44,410	-	44,410
Surplus distributed during the financial year	(9,500)	-	(9,500)
At 31 December 2019	<u>47,845</u>	<u>-</u>	<u>47,845</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****13. LEASE LIABILITIES**

During the financial year, as a result of Covid-19 pandemic, the Company has benefited from the waiver of lease payments as per schedule below.

**Buildings**

KL Eco City

**Rebate periods**

18 March 2020 to 30 April 2020

The Company has applied the practical expedient to all rent concessions that meet the conditions of the amendments to MFRS 16.

The amount recognised in the Company's profit or loss to reflect changes in lease payments that arise from rent concessions to which the Company has applied the practical expedient is RM13,000. The lease liability is reduced by RM13,000.

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Non-current lease liabilities	1,512	3,317
Current lease liabilities	1,363	1,430
Total lease liabilities	<u>2,875</u>	<u>4,747</u>

Reconciliation of movement of liabilities to cash flows arising from financing activities.

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
At 1 January	4,747	5,538
Payment of lease liabilities	(1,465)	(1,003)
Remeasurement	(514)	-
Accrued interest	120	212
Effects of rent concession received	(13)	-
At 31 December	<u>2,875</u>	<u>4,747</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****14. TAKAFUL PAYABLES**

	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>		
Due to agents and intermediaries	13,195	13,195
Due to retakaful operators and cedants	18,344	18,344
	<u>31,539</u>	<u>31,539</u>
	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>		
Due to agents and intermediaries	11,038	11,038
Due to retakaful operators and cedants	24,607	24,607
	<u>35,645</u>	<u>35,645</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**15. OTHER PAYABLES**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>			
Amount due to a related company	5,709	-	5,709
Deposits contribution	-	481	481
Accruals for staff costs	2,882	-	2,882
Other payables and accruals	24,279	43,986	68,265
	<u>32,870</u>	<u>44,467</u>	<u>77,337</u>
Inter-fund balances			
Amount due to Takaful Operator	-	17,624	-
Surplus payable to Takaful Operator	-	10,000	-
	<u>-</u>	<u>27,624</u>	<u>-</u>
	<u>32,870</u>	<u>72,091</u>	<u>77,337</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****15. OTHER PAYABLES (CONTINUED)**

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2019</u>			
Amount due to a related company	5,445	-	5,445
Deposits contribution	-	481	481
Accruals for staff costs	452	-	452
Other payables and accruals	20,945	34,245	55,190
	<u>26,842</u>	<u>34,726</u>	<u>61,568</u>
Inter-fund balances			
Amount due to Takaful Operator	-	14,260	-
Surplus payable to Takaful Operator	-	4,750	-
	<u>-</u>	<u>19,010</u>	<u>-</u>
	<u>26,842</u>	<u>53,736</u>	<u>61,568</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****16. EXPENSE LIABILITIES**

	<b>Takaful Operator Fund RM'000</b>	<b>Company RM'000</b>
At 1 January 2020	32,152	32,152
Expense incurred during the financial year	7,883	7,883
At 31 December 2020	<u>40,035</u>	<u>40,035</u>
	<b>Takaful Operator Fund RM'000</b>	<b>Company RM'000</b>
At 1 January 2019	14,609	14,609
Expense incurred during the financial year	17,543	17,543
At 31 December 2019	<u>32,152</u>	<u>32,152</u>

At the end of the financial year, the Company's reported higher aggregate of unearned wakalah fee ("UWF") than the unexpired expense risk ("UER") together with related provision of risk margin for adverse deviation.

<u>As at 31 December 2020</u>	<b>RM'000</b>
(a) Unearned wakalah fee ("UWF")	<u>40,035</u>
(b) Unexpired expense risk ("UER")	<u>21,352</u>
<u>As at 31 December 2019</u>	<b>RM'000</b>
(b) Unearned wakalah fee ("UWF")	<u>32,152</u>
(b) Unexpired expense risk ("UER")	<u>12,928</u>



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17. DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>2020</u>			
Deferred tax assets:			
At 1 January 2020	10,019	2,805	12,824
Credited/(charged) to statement of profit or loss (Note 26)			
- unutilised tax savings from general takaful portfolio acquisition	-	(755)	(755)
- investments	414	284	698
- provisions	874	-	874
- property, plant and equipment	83	-	83
- leases	(38)	-	(38)
- allowance for impairment loss	-	(251)	(251)
- expense liabilities	1,881	-	1,881
	<u>3,214</u>	<u>(722)</u>	<u>2,492</u>
Charged to comprehensive income:			
- available-for-sale reserve	(927)	-	(927)
Charged to takaful contract liabilities:			
- available-for-sale reserve	-	(1,355)	(1,355)
At 31 December 2020	<u>12,306</u>	<u>728</u>	<u>13,034</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17. DEFERRED TAXATION (CONTINUED)**

<u>2019</u>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Deferred tax assets:			
At 1 January 2019	1,439	3,289	4,728
Credited/(charged) to statement of profit or loss (Note 26)			
- unutilised tax savings from general takaful portfolio acquisition	-	1,830	1,830
- unutilised tax losses	-	(892)	(892)
- investments	44	415	459
- provisions	2,509	-	2,509
- property, plant and equipment	247	-	247
- leases	93	-	93
- allowance for impairment loss	-	(456)	(456)
- expense liabilities	5,987	-	5,987
	<u>8,880</u>	<u>897</u>	<u>9,777</u>
Charged to comprehensive income:			
- available-for-sale reserve	(310)	-	(310)
Charged to retained earnings:			
- leases	10	-	10
Charged to takaful contract liabilities:			
- available-for-sale reserve	-	(1,381)	(1,381)
At 31 December 2019	<u>10,019</u>	<u>2,805</u>	<u>12,824</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17. DEFERRED TAXATION (CONTINUED)**

<u>31 December 2020</u>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>Subject to income tax:</u>			
Deferred tax assets (before offsetting)			
- allowance for impairment loss	-	1,671	1,671
- property plant and equipment	157	-	157
- expense liabilities	9,506	-	9,506
- arising from general takaful portfolio acquisition	-	1,094	1,094
- provisions	3,383	-	3,383
- leases	65	-	65
	<u>13,111</u>	<u>2,765</u>	<u>15,876</u>
Offsetting	(805)	(2,037)	(2,842)
Deferred tax assets after offsetting	<u>12,306</u>	<u>728</u>	<u>13,034</u>
Deferred tax liabilities (before offsetting)			
- investments	(805)	(2,037)	(2,842)
	<u>(805)</u>	<u>(2,037)</u>	<u>(2,842)</u>
Offsetting	805	2,037	2,842
Deferred tax liabilities after offsetting	<u>-</u>	<u>-</u>	<u>-</u>
<u>31 December 2019</u>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>Subject to income tax:</u>			
Deferred tax assets (before offsetting)			
- allowance for impairment loss	-	1,922	1,922
- property plant and equipment	74	-	74
- expense liabilities	7,625	-	7,625
- arising from general takaful portfolio acquisition	-	1,849	1,849
- provisions	2,509	-	2,509
- leases	103	-	103
	<u>10,311</u>	<u>3,771</u>	<u>14,082</u>
Offsetting	(292)	(966)	(1,258)
Deferred tax assets after offsetting	<u>10,019</u>	<u>2,805</u>	<u>12,824</u>
Deferred tax liabilities (before offsetting)			
- investments	(292)	(966)	(1,258)
	<u>(292)</u>	<u>(966)</u>	<u>(1,258)</u>
Offsetting	292	966	1,258
Deferred tax liabilities after offsetting	<u>-</u>	<u>-</u>	<u>-</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****18. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital RM'000</b>
<u>Issued and fully paid up</u>		
At 1 January 2020	283,369,750	317,000
At 31 December 2020	283,369,750	317,000
	<b>Number of shares</b>	<b>Share capital RM'000</b>
<u>Issued and fully paid up</u>		
At 1 January 2019	259,000,002	259,000
Issued during the financial year	24,369,748	58,000
At 31 December 2019	283,369,750	317,000

**19. RESERVES****(a) Retained earnings**

Under the single-tier tax system which came into effect from 1 January 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempted in the hand of the shareholders.

As at 31 December 2020, the Company is already under the single-tier tax system. The Company may distribute single-tier exempt dividends to its shareholders out of its retained earnings. Pursuant to Section 60(1) of the Islamic Financial Services Act 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Takaful Operators, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

**(b) Available-for-sale reserve**

The available-for-sale reserve of the Company represents the fair value gains or losses of the available-for-sale financial assets, net of deferred tax.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****20. NET EARNED CONTRIBUTIONS**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Gross earned contributions</b>		
- Takaful contracts (Note 12(ii))	636,842	653,694
- Change in gross contribution liabilities	(33,860)	(32,332)
	<u>602,982</u>	<u>621,362</u>
<b>(b) Contributions ceded to retakaful operators</b>		
- Takaful contracts (Note 12(ii))	(47,303)	(49,909)
- Change in retakaful contribution liabilities	67	1,249
	<u>(47,236)</u>	<u>(48,660)</u>
 Net earned contributions	 <u>555,746</u>	 <u>572,702</u>

**21. INVESTMENT INCOME**

	<b>2020</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>AFS financial assets</b>			
Hibah/profit income			
- corporate debt securities unquoted in Malaysia	10,803	18,854	29,657
Accretion /amortisation			
- corporate debt securities unquoted in Malaysia	(1,893)	(2,220)	(4,113)
	<u>8,910</u>	<u>16,634</u>	<u>25,544</u>
<b>Financing receivables</b>			
Hibah/profit income			
- fixed deposits from licensed Islamic financial institutions	3,780	4,960	8,740
	<u>12,690</u>	<u>21,594</u>	<u>34,284</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****21. INVESTMENT INCOME (CONTINUED)**

	<b>2019</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>AFS financial assets</b>			
Hibah/profit income			
- Malaysian Government Securities/Government Investment Issues	-	6	6
- corporate debt securities unquoted in Malaysia	3,733	15,326	19,059
Accretion /amortisation			
- corporate debt securities unquoted in Malaysia	(173)	(1,396)	(1,569)
	<u>3,560</u>	<u>13,936</u>	<u>17,496</u>
<b>Financing receivables</b>			
Hibah/profit income			
- fixed deposits from licensed Islamic financial institutions	6,573	6,101	12,674
	<u>10,133</u>	<u>20,037</u>	<u>30,170</u>

**22. REALISED GAINS AND LOSSES**

	<b>2020</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>AFS financial assets</b>			
Realised gains:			
- Malaysian Government Securities/ Government Investment Issues	-	-	-
- Corporate debt securities unquoted in Malaysia	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****22. REALISED GAINS AND LOSSES (CONTINUED)**

	<b>2019</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
AFS financial assets			
Realised gains:			
- Malaysian Government Securities/ Government Investment Issues	-	4	4
- Corporate debt securities unquoted in Malaysia	76	282	358
	<u>76</u>	<u>286</u>	<u>362</u>

**23. FEE AND COMMISSION**

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
<b>(a) Fee and commission income</b>		
Retakaful commission income recognised in General Takaful Fund	<u>8,979</u>	<u>9,623</u>
<b>(b) Fee and commission expenses</b>		
Gross commission expenses recognised in Takaful Operator	<u>(72,000)</u>	<u>(73,638)</u>

**24. NET CLAIMS INCURRED**

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
(a) Gross benefits and claims paid	(262,090)	(288,854)
(b) Claims ceded to retakaful operators	17,526	28,219
(c) Gross change in contract liabilities	(97,746)	(112,444)
(d) Change in contract liabilities ceded to retakaful operators	(13,130)	(13,260)

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****25. MANAGEMENT EXPENSES**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Staff costs (including Chief Executive Officer):		
- salaries and bonus	6,027	2,680
- defined contribution plans	1,178	439
- other employee benefits	2,163	650
	<u>9,368</u>	<u>3,769</u>
Directors' remuneration (Note 25(a))	637	509
Auditors' remuneration:		
- statutory audit	243	250
- audit related services	-	5
- tax related services	14	14
Shariah committee remuneration	104	105
Other professional fees	219	282
Office rental	(260)	347
Depreciation of property, plant and equipment (Note 4)	275	205
Amortisation of intangible assets (Note 6)	2,216	2,284
Depreciation of right-of-use assets (Note 5)	1,231	1,208
Training expenses	60	229
Repairs and maintenance expenses	477	559
Information technology expenses	5,222	4,794
Advertising, promotional and entertainment expenses	6,147	8,066
Printing and stationery expenses	5,536	4,813
Postage, courier and telephone charges	582	272
Motor vehicle expenses	205	-
Breakdown service assistance expenses	4,673	4,014
Outsourcing costs paid to related party	36,916	31,930
Other expenses	25,931	22,127
	<u>90,428</u>	<u>81,504</u>
Total management expenses	<u>99,796</u>	<u>85,782</u>



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****25. MANAGEMENT EXPENSES (CONTINUED)**

The remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year, as included in staff salaries and bonus, amounted to RM798,000 (2019: RM1,537,000).

**(a) Directors' remuneration**

The Directors' remuneration and other emoluments during current financial year are as follows:

	<b>2020</b>		
	<b>Fees RM'000</b>	<b>Allowance RM'000</b>	<b>Total RM'000</b>
Non-Executive Directors			
- Nabil Nazih El-Hage	172	-	172
- Onn Kien Hoe	90	28	118
- Dr. Md Khalil bin Ruslan	90	28	118
- Dr. Mohd Nordin bin Mohd Zain	90	24	114
- Hasnah Binti Omar	90	25	115
	<u>532</u>	<u>105</u>	<u>637</u>

	<b>2019</b>		
	<b>Fees RM'000</b>	<b>Allowance RM'000</b>	<b>Total RM'000</b>
Non-Executive Directors			
- Nabil Nazih El-Hage	167	-	167
- Onn Kien Hoe	62	39	101
- Dr. Md Khalil bin Ruslan	62	38	100
- Dr. Mohd Nordin bin Mohd Zain	62	40	102
- Hasnah Binti Omar	25	14	39
	<u>378</u>	<u>131</u>	<u>509</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****25. MANAGEMENT EXPENSES (CONTINUED)**

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the current financial year are analysed by the following bands:

	<b>Number of Directors</b>	
	<b>2020</b>	<b>2019</b>
Executive Director:		
RM100,000 and below	-	1
Non-Executive Directors:		
RM 1 - RM100,000	-	2
RM100,001 – RM200,000	5	3

**26. TAXATION**

	<b>2020</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Current tax:			
Current financial year	15,170	5,726	20,896
(Over)/under-provision of tax	(787)	302	(485)
	<u>14,383</u>	<u>6,028</u>	<u>20,411</u>
Deferred tax (Note 17)	(3,214)	722	(2,492)
Tax expense	<u>11,169</u>	<u>6,750</u>	<u>17,919</u>
	<b>2019</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Current tax:			
Current financial year	17,299	8,171	25,470
Under/(over)-provision of tax	7,906	(3,885)	4,021
	<u>25,205</u>	<u>4,286</u>	<u>29,491</u>
Deferred tax (Note 17)	(8,880)	(897)	(9,777)
Tax expense	<u>16,325</u>	<u>3,389</u>	<u>19,714</u>

The income tax for the Company is calculated based on the tax rate of 24% of the estimated assessable profit for the financial year.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****26. TAXATION (CONTINUED)**

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

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	53,622	46,960
Taxation at Malaysian statutory tax rate of 24%	12,869	11,270
Expenses non-deductible for tax purposes	5,932	8,742
Previously unrecognised deductible temporary differences	(397)	(4,319)
(Over)/under-provision of tax in prior year	(485)	4,021
Tax expense	<u>17,919</u>	<u>19,714</u>

**27. DIVIDENDS**

The Directors have not recommended the payment of any dividend for the current financial year.

**28. EARNINGS PER SHARE**

The basic earnings per ordinary share are calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary equity holders	<u>34,495</u>	<u>26,157</u>
Weighted average number of shares in issue	<u>283,370</u>	<u>279,774</u>
Basic earnings per share (sen)	<u>0.12</u>	<u>0.09</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****29. CASH FLOWS**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial year</b>		34,495	26,157
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	4	275	205
Amortisation of intangible assets	6	2,216	2,284
Depreciation of right-of-use assets	5	1,231	1,208
Effects of rent concession received	13	(13)	-
Write-back for impairment of takaful receivables		(1,046)	(1,906)
Investment income	21	(34,284)	(30,170)
Realised gains	22	-	(362)
Tax expense	26	17,919	19,714
<b>Changes in working capital:</b>			
Decrease in retakaful assets		12,950	12,103
Increase in investments		(182,214)	(196,487)
Decrease/(increase) in takaful receivables		15,480	(7,036)
(Increase)/decrease in other receivables		(72)	2,453
Increase in takaful contract liabilities		131,639	144,967
Increase in other payables		15,769	1,696
Decrease in takaful payables		(4,106)	(9,671)
Increase in expense liabilities		7,883	17,543
<b>Cash generated from/(utilised in) operating activities</b>		<b>18,122</b>	<b>(16,878)</b>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****30. SIGNIFICANT RELATED PARTY DISCLOSURES****(a) Related parties and relationship**

The related parties and their relationship with the Company as at 31 December 2020 are as follows:

<u>Name of company</u>	<u>Relationship</u>
Zurich Insurance Group Limited ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Penultimate holding company
Zurich Holdings Malaysia Berhad ("ZHMB")	Immediate holding company
Zurich Shared Services Malaysia Sdn. Bhd. ("ZSSM")	Subsidiary of ZSM
Zurich Services Malaysia Sdn. Bhd. ("ZSM")	Subsidiary of ZICL
Zurich Life Insurance Malaysia Berhad	Subsidiary of ZICL
Zurich Global Investment Management Inc.	Subsidiary of ZICL
Zurich Takaful Malaysia Berhad	Subsidiary of ZHMB
Zurich General Insurance Malaysia Berhad	Subsidiary of ZHMB

**(b) Related party transactions**

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiary and associated companies of ZIGL, collectively known as ZIGL Group, at agreed terms and prices.

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

	<u>2020</u>	<u>2019</u>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Trade</u></b>		
<b>Subsidiary of immediate holding company</b>		
Contribution, commission and claims on co-insurance arrangement	(596)	(34)
<b><u>Non-trade</u></b>		
<b>Subsidiary of immediate holding company</b>		
Outsourcing expenses	32,318	27,485
Reimbursement costs	4,488	2,425
<b>Subsidiary of penultimate holding company</b>		
Outsourcing expenses	4,598	4,445
Reimbursement costs	2,746	1,945

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)****(c) Related party balances**

The significant outstanding balances of the Company with its related parties as at 31 December are as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due from related companies:</b>		
Takaful receivables	596	34
Other receivables	103	319
<b>Amount due to related companies:</b>		
Other payables	(5,709)	(5,799)

**(d) Key management personnel's remuneration**

The remuneration of the key management personnel during the financial year are as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Salary	1,993	1,899
Defined contribution plans	378	326
	<b>2,371</b>	<b>2,225</b>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company include the Chief Executive Officer and other key responsible persons of the Company.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****31. RISK MANAGEMENT FRAMEWORK****Risk Governance Structure**

The Company adopts three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirement are incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and ultimately, the Company. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The adoption of the Framework is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight over technology-related matters and sustainability-related matters. The Company has established senior management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset, Liability Management Investment Committee (ALMIC) and the various Senior Management Committees for General Businesses. All these committees are chaired by the Chief Executive Officer or a member of the key management team.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposure and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

The Company places strong emphasis on ensuring Shariah Compliance in all its activities, and put in place a comprehensive control, monitoring and reporting procedures to manage and mitigate potential shariah non-compliance incidences.

**Governance and Regulatory Framework**

The Company is required to comply with the IFSA and BNM regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply where possible.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****31. RISK MANAGEMENT FRAMEWORK (CONTINUED)****Capital Management**

The Company's capital management policy is to create shareholders value, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements, and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBCT Framework regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2020.

The regulated capital of the Company as at 31 December 2020 comprised of Available Capital of RM421,231,000. (2019: RM368,708,000).

The capital structure of the Company as at 31 December 2020, as prescribed under the RBCT Framework, is shown below:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier 1 Capital</u></b>		
Paid-up share capital	317,000	317,000
Reserve including retained earnings	130,601	87,095
	<u>447,601</u>	<u>404,095</u>
<b><u>Tier 2 Capital</u></b>		
Available-for-sale reserve	12,664	5,437
<b><u>Deduction:</u></b>		
Other intangible assets	(26,000)	(28,000)
Deferred tax assets	(13,034)	(12,824)
<b>Total Capital Available</b>	<u>421,231</u>	<u>368,708</u>



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32. TAKAFUL RISK**

The Company underwrites various general takaful contracts, which are mostly on annual coverage and annual contribution basis, the exception being short term contribution such as Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual certificates with coverage period of more than one year such as Long-Term Fire Homeowner, Contractor's All Risks and Workmen's Compensation. A majority of the takaful business written by the Company is Motor and Fire. Other lines of business include Health, Personal Accident, Engineering, Liability, Bond and other Miscellaneous classes.

The Company's underwriting strategy is to build balanced portfolios based on a large number of homogeneous risks. This reduces the variability of the portfolio's outcome. The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line of size, class of business, geographically and industry in order to ensure appropriate risk selection within the portfolio. The underwriters have the right to refuse the renewal or to change the terms and condition of the contract at renewal. The Company's Executive Committee meets periodically to review certain management information including contribution income and key ratios by line of business.

The table below sets out the concentration of the general takaful contracts - claims liabilities by type of takaful contracts issued:

	<b>2020</b>		
	<b>Gross</b>	<b>Re-takaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fire	54,442	(32,729)	21,713
Motor	322,944	(13,213)	309,731
Marine, Aviation and Transit	6,745	(3,781)	2,964
Miscellaneous	109,120	(51,339)	57,781
At 31 December	<u>493,251</u>	<u>(101,062)</u>	<u>392,189</u>
	<b>2019</b>		
	<b>Gross</b>	<b>Re-takaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fire	59,475	(39,698)	19,777
Motor	224,259	(18,553)	205,706
Marine, Aviation and Transit	8,975	(5,589)	3,386
Miscellaneous	111,773	(50,239)	61,534
At 31 December	<u>404,482</u>	<u>(114,079)</u>	<u>290,403</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32. TAKAFUL RISK (CONTINUED)****Key Assumptions**

The principal assumption 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 assumptions in respect of initial expected loss ratios, average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation, may affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

**Sensitivities**

The takaful claims 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.

The analysis below is performed on the total portfolio for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claims liabilities, profit before tax and equity. The correlation among 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.

	<u>Change in assumptions</u>	<u>Impact on gross claims liabilities</u> RM'000	<u>Impact on net claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>31 December 2020</u>					
Average claim cost	+10%	48,941	38,805	(38,805)	(29,492)
Average number of claims	+10%	59,793	49,552	(49,552)	(37,659)
	<u>Change in assumptions</u>	<u>Impact on gross claims liabilities</u> RM'000	<u>Impact on net claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>31 December 2019</u>					
Average claim cost	+10%	40,279	28,912	(28,912)	(21,973)
Average number of claims	+10%	50,193	38,915	(38,915)	(29,575)

Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **32. TAKAFUL RISK (CONTINUED)**

##### **Claims Development Table**

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

In setting provisions for claims, the Company considers 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, and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32. TAKAFUL RISK (CONTINUED)**

Gross General Takaful Claims Liabilities for 2020:

	<b>Prior RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>Total RM'000</b>
Accident Year:									
At end of the accident year		173,322	153,400	186,898	172,090	254,552	371,126	365,961	
One year later		150,108	140,108	167,895	163,196	257,548	372,466		
Two years later		136,885	137,760	159,460	160,558	251,849			
Three years later		122,018	140,401	162,319	156,532				
Four years later		117,332	139,991	157,256					
Five years later		124,892	139,347						
Six years later		122,816							
Current estimate of cumulative claims incurred		122,816	139,347	157,256	156,532	251,849	372,466	365,961	
At end of accident year		40,160	43,447	53,291	59,301	106,603	178,461	134,264	
One year later		93,627	90,643	115,463	113,620	187,064	263,564		
Two years later		106,477	106,009	130,448	131,411	213,548			
Three years later		106,286	125,668	135,805	136,840				
Four years later		109,182	130,885	137,570					
Five years later		109,999	132,105						
Six years later		112,477							
Cumulative payments to-date		112,477	132,105	137,570	136,840	213,548	263,564	134,264	
Direct and facultative inwards	18,798	10,339	7,242	19,686	19,692	38,301	108,902	231,697	454,657
									454,657
									38,594
									493,251

Best Estimate of Claim Liabilities  
Fund PRAD at 75% Confidence Level  
Gross General Takaful Claim Liabilities

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32. TAKAFUL RISK (CONTINUED)**

Gross General Takaful Claims Liabilities for 2019:

	<b>Prior RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>Total RM'000</b>
Accident Year:									
At end of the accident year		122,510	173,322	153,400	186,898	172,090	254,552	371,126	
One year later		113,516	150,108	140,108	167,895	163,196	257,548		
Two years later		108,045	136,885	137,760	159,460	160,558			
Three years later		109,963	122,018	140,401	162,319				
Four years later		108,039	117,332	139,991					
Five years later		112,723	124,892						
Six years later		<u>109,532</u>							
Current estimate of cumulative claims incurred		<u>109,532</u>	<u>124,892</u>	<u>139,991</u>	<u>162,319</u>	<u>160,558</u>	<u>257,548</u>	<u>371,126</u>	
At end of accident year		33,270	40,160	43,447	53,291	59,301	106,603	178,461	
One year later		67,240	93,627	90,643	115,463	113,620	187,064		
Two years later		85,084	106,477	106,009	130,448	131,411			
Three years later		91,757	106,286	125,668	135,805				
Four years later		94,874	109,182	130,885					
Five years later		96,642	109,999						
Six years later		<u>97,277</u>							
Cumulative payments to-date		<u>97,277</u>	<u>109,999</u>	<u>130,885</u>	<u>135,805</u>	<u>131,411</u>	<u>187,064</u>	<u>178,461</u>	
Direct and facultative inwards	16,062	12,255	14,893	9,106	26,514	29,147	70,484	192,665	371,126
									<u>371,126</u>
									<u>33,356</u>
									<u>404,482</u>

Best Estimate of Claim Liabilities

Fund PRAD at 75% Confidence Level

Gross General Takaful Claim Liabilities

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32. TAKAFUL RISK (CONTINUED)**

Net General Takaful Claims Liabilities for 2020:

	<b>Prior RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>Total RM'000</b>
Accident Year:									
At end of the accident year		35,176	60,770	75,207	91,768	231,143	350,374	349,737	
One year later		35,319	57,828	70,521	88,627	232,186	350,377		
Two years later		33,785	54,011	68,732	87,683	228,173			
Three years later		29,566	52,618	68,097	86,104				
Four years later		28,869	52,957	66,034					
Five years later		29,703	52,587						
Six years later		29,210							
Current estimate of cumulative claims incurred		29,210	52,587	66,034	86,104	228,173	350,377	349,737	
At end of accident year		10,445	19,313	27,600	31,247	99,480	175,488	133,765	
One year later		23,279	39,635	50,983	64,250	172,484	257,477		
Two years later		26,790	45,416	58,053	73,147	195,844			
Three years later		26,088	48,527	59,601	76,342				
Four years later		26,794	49,725	60,762					
Five years later		26,998	50,103						
Six years later		27,338							
Cumulative payments to-date		27,338	50,103	60,762	76,342	195,844	257,477	133,765	
Direct and facultative inwards	3,788	1,872	2,484	5,272	9,762	32,329	92,900	215,972	364,379
Best Estimate of Claim Liabilities									364,379
Fund PRAD at 75% Confidence Level									27,810
Net General Takaful Claim Liabilities									392,189

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32. TAKAFUL RISK (CONTINUED)**

Net General Takaful Claims Liabilities for 2019:

	<b>Prior RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>Total RM'000</b>
Accident Year:									
At end of the accident year		28,156	35,176	60,770	75,207	91,768	231,143	350,374	
One year later		25,865	35,319	57,828	70,521	88,627	232,186		
Two years later		26,826	33,785	54,011	68,732	87,683			
Three years later		26,211	29,566	52,618	68,097				
Four years later		25,438	28,869	52,957					
Five years later		25,563	29,703						
Six years later		25,751							
Current estimate of cumulative claims incurred		25,751	29,703	52,957	68,097	87,683	232,186	350,374	
At end of accident year		9,537	10,445	19,313	27,600	31,247	99,480	175,488	
One year later		18,208	23,279	39,635	50,983	64,250	172,484		
Two years later		22,095	26,790	45,416	58,053	73,147			
Three years later		22,878	26,088	48,527	59,601				
Four years later		23,463	26,794	49,725					
Five years later		23,782	26,998						
Six years later		23,839							
Cumulative payments to-date		23,839	26,998	49,725	59,601	73,147	172,484	175,488	
Direct and facultative inwards	3,256	1,912	2,705	3,232	8,496	14,536	59,702	174,886	268,725
									268,725
									21,678
									290,403

Best Estimate of Claim Liabilities  
Fund PRAD at 75% Confidence Level  
Net General Takaful Claim Liabilities

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****33. FAIR VALUE MEASUREMENTS****(a) Determination of fair value and fair value hierarchy**

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1 - Quoted market price**

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Level 2 - Valuation Techniques - Market observable input**

Financial instruments in this category are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. It includes financial instruments for which pricing is obtained via pricing services, but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flows, the price of the most recent transactions may be used provided that there has not been a significant change in economic circumstances since the time of the transaction, or if the conditions have changed, that price should be adjusted to reflect the change in conditions by reference to current prices for similar financial instruments and investment in unit and property trusts with fair values obtained via investment bankers and/or fund managers.

**Level 3 - Valuation Techniques - Unobservable input**

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unquoted equity securities, un-rated securities and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgements.



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****33. FAIR VALUE MEASUREMENTS (CONTINUED)****(b) Financial instruments and non-financial assets carried at fair value (continued)**

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2020</u>				
AFS financial assets:				
- Corporate debt securities	-	716,335	-	716,335
	<u>-</u>	<u>716,335</u>	<u>-</u>	<u>716,335</u>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2019</u>				
AFS financial assets:				
- Corporate debt securities	-	528,633	-	528,633
	<u>-</u>	<u>528,633</u>	<u>-</u>	<u>528,633</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****34. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangement are as follows:

	<b>Gross amount recognised as financial assets/ liabilities</b>	<b>Gross amount offset in the statement of financial position</b>	<b>Amount presented in the statement of financial position</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2020</u>			
Financial assets:			
Takaful receivables	43,170	(4,736)	38,434
Financial liabilities:			
Takaful payables	36,275	(4,736)	31,539
	<b>Gross amount recognised as financial assets/ liabilities</b>	<b>Gross amount offset in the statement of financial position</b>	<b>Amount presented in the statement of financial position</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2019</u>			
Financial assets:			
Takaful receivables	65,431	(12,563)	52,868
Financial liabilities:			
Takaful payables	48,208	(12,563)	35,645

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2020 and 2019.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK**

The Company is exposed to financial risks, including credit risk, liquidity risk, market risk and operational risk during the normal course of its business. The Company has in place, established procedures and guidelines to monitor the risks on an on-going basis.

**Credit Risk**

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is assumed through three (3) main mechanisms.

- i) The assumption of credit risk through investment strategies relating to financial assets;
- ii) Credit risk created through retakaful, where a retakaful asset represents an obligation of the retakaful operators to the entity; and
- iii) Receivables within the business, where the entity owed payment or services by a third party. Most typically this is arising from sale of takaful certificates.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A-/A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad ("MARC") and Rating Agency Malaysia Berhad ("RAM") respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but as in all credit assessments/reviews are based on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary takaful operator. If a retakaful operator fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of retakaful operator is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit periods, putting in place collection procedures and rigorously monitoring its credit portfolio.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Credit Risk (continued)****Credit Exposure**

The table below shows the maximum exposure to credit risk for the components on the statement of financial position which are subject to credit risk:

		<b>2020</b>		
		<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
	<b>Note</b>			
AFS financial assets:				
- Islamic debt securities	7(b)	281,784	434,551	716,335
Financing receivables	7(a)	-	3,124	3,124
Takaful receivables	8	-	38,434	38,434
Retakaful assets*		-	101,062	101,062
Other receivables #		28,296	268	940
Cash and cash equivalents		123,117	305,837	428,954
		<u>433,197</u>	<u>883,276</u>	<u>1,288,849</u>
		<b>2019</b>		
		<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
	<b>Note</b>			
AFS financial assets:				
- Islamic debt securities	7(b)	136,634	391,999	528,633
Financing receivables	7(a)	-	1,560	1,560
Takaful receivables	8	-	52,868	52,868
Retakaful assets*		-	114,079	114,079
Other receivables #		19,128	828	946
Cash and cash equivalents		228,760	175,433	404,193
		<u>384,522</u>	<u>736,767</u>	<u>1,102,279</u>

\* Retakaful assets exclude unearned contribution reserve

#Exclude prepayments of RM103,000 as at 31 December 2020 (2019: RM25,000)

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 35. FINANCIAL RISK (CONTINUED)

##### Credit Risk (continued)

##### Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

	Neither past-due nor impaired			Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade	Not rated			
	Government Guaranteed (AAA to BBB)	(BB to C)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2020</u>						
AFS financial assets:						
- Islamic debt securities	66,770	649,565	-	-	-	716,335
Financing receivables	-	3,124	-	-	-	3,124
Takaful receivables						
- Gross	-	3,451	-	28,094	6,962	45,396
- Allowance for impairment	-	-	-	-	(6,962)	(6,962)
Retakaful assets	-	56,010	-	46,188	(1,136)	101,062
Other receivables	-	-	-	940	-	940
Cash and cash equivalents	-	428,954	-	-	-	428,954
	<u>66,770</u>	<u>1,141,104</u>	<u>-</u>	<u>6,889</u>	<u>(1,136)</u>	<u>1,288,849</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Credit Risk (continued)****Credit Exposure by Credit Rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

	Neither past-due nor impaired			Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade	Not rated			
	Government Guaranteed (AAA to BBB)	(BB to C)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2019</u>						
AFS financial assets:						
- Islamic debt securities	70,918	457,715	-	-	-	528,633
Financing receivables	-	1,560	-	-	-	1,560
Takaful receivables						
- Gross	-	6,924	-	14,326	8,008	60,876
- Allowance for impairment	-	-	-	-	(8,008)	(8,008)
Retakaful assets	-	61,416	-	-	(1,215)	114,079
Other receivables	-	-	-	-	-	946
Cash and cash equivalents	-	404,193	-	-	-	404,193
	<u>70,918</u>	<u>931,808</u>	<u>-</u>	<u>14,326</u>	<u>(1,215)</u>	<u>1,102,279</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Credit Risk (continued)****Credit Exposure by Credit Rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	<b>Government Guaranteed</b>	<b>AAA to AA</b>	<b>A1 to A3</b>	<b>BBB1 to BBB3</b>	<b>BB and below</b>	<b>Not rated</b>	<b>Impaired</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2020</u>								
AFS financial assets:								
- Islamic debt securities	66,770	634,993	14,572	-	-	-	-	716,335
Financing receivables	-	3,124	-	-	-	-	-	3,124
Takaful receivables								
- Gross	-	10,340	-	-	-	28,094	6,962	45,396
- Allowance for impairment	-	-	-	-	-	-	(6,962)	(6,962)
Retakaful assets	-	23,043	20,318	12,649	-	46,188	(1,136)	101,062
Other receivables	-	-	-	-	-	940	-	940
Cash and cash equivalents	-	383,476	45,478	-	-	-	-	428,954
	<u>66,770</u>	<u>1,054,976</u>	<u>80,368</u>	<u>12,649</u>	<u>-</u>	<u>75,222</u>	<u>(1,136)</u>	<u>1,288,849</u>

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Credit Risk (continued)****Credit Exposure by Credit Rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	<b>Government Guaranteed</b>	<b>AAA to AA</b>	<b>A1 to A3</b>	<b>BBB1 to BBB3</b>	<b>BB and below</b>	<b>Not rated</b>	<b>Impaired</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2019</u>								
AFS financial assets:								
- Islamic debt securities	70,918	440,077	17,638	-	-	-	-	528,633
Financing receivables	-	1,560	-	-	-	-	-	1,560
Takaful receivables								
- Gross	-	21,250	-	-	-	31,618	8,008	60,876
- Allowance for impairment	-	-	-	-	-	-	(8,008)	(8,008)
Retakaful assets	-	24,283	37,133	-	-	53,878	(1,215)	114,079
Other receivables	-	-	-	-	-	946	-	946
Cash and cash equivalents	-	404,193	-	-	-	-	-	404,193
	<u>70,918</u>	<u>891,363</u>	<u>54,771</u>	<u>-</u>	<u>-</u>	<u>86,442</u>	<u>(1,215)</u>	<u>1,102,279</u>

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Credit Risk (continued)****Age Analysis of Financial Assets Past Due But Not Impaired**

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

	<b>Up to 3 months RM'000</b>	<b>3 months to 6 months RM'000</b>	<b>7 months to 12 months RM'000</b>	<b>&gt; 12 months RM'000</b>	<b>Total RM'000</b>
<u>31 December 2020</u>					
Takaful receivables	-	6,712	79	98	6,889
<u>31 December 2019</u>					
Takaful receivables	-	11,150	1,956	1,220	14,326

**Impaired Financial Assets**

At 31 December 2020, based on a combination of collective and individual assessment of receivables, there are impaired takaful receivables of RM6,962,000 (2019: RM8,008,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than 90 days. In addition, full impairment is made on takaful receivables exhibiting objective evidence of impairment such as outstanding debts exceeding 180 days. The Company records impairment allowance for takaful receivables in separate "allowance for impairment" accounts.

A reconciliation of the allowance for impairment loss of takaful receivables is as follows:

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At 1 January	8,008	9,914
Write-back for the financial year	(1,046)	(1,906)
At 31 December	6,962	8,008

No collateral is held as security for any past due or impaired assets.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **35. FINANCIAL RISK (CONTINUED)**

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful and investment contracts obligations.

The Company's excess of loss retakaful contract contains clauses permitting the Company to make cash call claims and receive immediate payment for large loss should claims events exceed a certain amount.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Liquidity Risk (continued)****Maturity Profile**

The table below summarises the maturity profile of the Company's financial assets and financial liabilities based on remaining undiscounted contractual obligations, including profit payable and receivable.

For takaful contract liabilities and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities. Contribution liabilities and the retakaful's share of contribution liabilities have been excluded from the analysis.

	<b>Carrying value</b>	<b>Up to a year</b>	<b>1 – 3 years</b>	<b>3 – 5 years</b>	<b>5 - 15 years</b>	<b>No maturity date</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2020</u>							
Financial assets:							
AFS financial assets	716,335	126,495	335,005	222,462	95,764	-	779,726
Financing receivables	3,124	3,124	-	-	-	-	3,124
Retakaful assets	101,062	70,880	26,123	3,866	193	-	101,062
Takaful receivables	38,434	38,434	-	-	-	-	38,434
Other receivables#	940	940	-	-	-	-	940
Cash and cash equivalents	428,954	428,954	-	-	-	-	428,954
	<u>1,288,849</u>	<u>668,827</u>	<u>361,128</u>	<u>226,328</u>	<u>95,957</u>	<u>-</u>	<u>1,352,240</u>
Financial liabilities:							
Takaful contract liabilities*	493,251	329,279	150,168	12,687	1,117	-	493,251
Lease liabilities	2,875	1,363	1,512	-	-	-	2,875
Other liabilities	77,337	77,337	-	-	-	-	77,337
Takaful payables	31,539	31,539	-	-	-	-	31,539
	<u>605,002</u>	<u>439,518</u>	<u>151,680</u>	<u>12,687</u>	<u>1,117</u>	<u>-</u>	<u>605,002</u>

\*Exclude unearned contribution reserve, AFS reserve and unallocated surplus

#Exclude prepayments

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Liquidity Risk (continued)****Maturity Profile (continued)**

The table below summarises the maturity profile of the Company's financial assets and financial liabilities based on remaining undiscounted contractual obligations, including profit payable and receivable.

For takaful contract liabilities and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities. Contribution liabilities and the retakaful's share of contribution liabilities have been excluded from the analysis.

	<b>Carrying value</b>	<b>Up to a year</b>	<b>1 – 3 years</b>	<b>3 – 5 years</b>	<b>5 - 15 years</b>	<b>No maturity date</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2019</u>							
Financial assets:							
AFS financial assets	528,633	78,994	242,202	189,535	82,952	-	593,683
Financing receivables	1,560	1,560	-	-	-	-	1,560
Retakaful assets	114,079	84,187	27,289	2,483	120	-	114,079
Takaful receivables	52,868	52,868	-	-	-	-	52,868
Other receivables#	946	946	-	-	-	-	946
Cash and cash equivalents	404,193	404,193	-	-	-	-	404,193
	<u>1,102,279</u>	<u>622,748</u>	<u>269,491</u>	<u>192,018</u>	<u>83,072</u>	<u>-</u>	<u>1,167,329</u>
Financial liabilities:							
Takaful contract liabilities*	404,482	284,804	108,778	10,399	501	-	404,482
Lease liabilities	4,747	1,430	2,448	869	-	-	4,747
Other liabilities	61,568	61,568	-	-	-	-	61,568
Takaful payables	35,645	35,645	-	-	-	-	35,645
	<u>506,442</u>	<u>383,447</u>	<u>111,226</u>	<u>11,268</u>	<u>501</u>	<u>-</u>	<u>506,442</u>

\*Exclude unearned contribution reserve, AFS reserve and unallocated surplus

#Exclude prepayments

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Liquidity Risk (continued)**

The table below summarises the current/non-current classification of assets:

	<b>Current*</b>	<b>Non-current</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2020</u>			
Property, plant and equipment	-	1,039	1,039
Right-of-use assets	-	2,684	2,684
Intangible assets	-	26,183	26,183
AFS financial assets	126,495	589,840	716,335
Financing receivables	3,124	-	3,124
Retakaful assets	114,360	-	114,360
Takaful receivables	38,434	-	38,434
Other receivables	1,043	-	1,043
Current tax assets	1,833	-	1,833
Deferred tax assets	-	13,034	13,034
Cash and cash equivalents	428,954	-	428,954
	<u>714,243</u>	<u>632,780</u>	<u>1,347,023</u>
	<b>Current*</b>	<b>Non-current</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2019</u>			
Property, plant and equipment	-	532	532
Right-of-use assets	-	4,429	4,429
Intangible assets	-	28,191	28,191
AFS financial assets	78,994	449,639	528,633
Financing receivables	1,560	-	1,560
Retakaful assets	127,310	-	127,310
Takaful receivables	52,868	-	52,868
Other receivables	971	-	971
Deferred tax assets	-	12,824	12,824
Cash and cash equivalents	404,193	-	404,193
	<u>665,896</u>	<u>495,615</u>	<u>1,161,511</u>

\* Expected recovery or settlement within 12 months from the date of the statement of financial position.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Market Risk**

Market risk is the risk of financial loss in the Company investment's valuation due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three types of risk i.e. foreign exchange rates (currency risk), market rates/profit yields and market prices (price risk).

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

**Profit Rates/Profit Yield Risks**

Profit rate risk is part of market risk as any adverse movements in profit rates/ profit yield may affect the Company investment's fair valuation and reinvestment issues to the Company. ALMIC actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch.

The Company has no significant concentration of profit rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax and takaful contract liabilities (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets).

The sensitivity analysis below illustrates impact of 50bps increase/decrease in profit rate/ profit yield to investment value based on portfolio holdings as at 31 December 2020, holding other variables constant.

		Impact on profit before tax	Impact on equity*	2020 Impact on takaful contract liabilities
<u>Changes in variables</u>		RM'000	RM'000	RM'000
<u>Takaful Operator</u>				
RM	+50 basis points	-	(3,457)	-
RM	-50 basis points	-	3,622	-
<u>General Takaful Fund</u>				
RM	+50 basis points	-	-	(4,903)
RM	-50 basis points	-	-	5,158

\* Impact on equity/ takaful contract liabilities reflects adjustments for tax, where applicable.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Profit Rates/Profit Yield Risks (continued)**

		Impact on profit before tax	Impact on equity*	2019 Impact on takaful contract liabilities
		RM'000	RM'000	RM'000
<u>Changes in variables</u>				
<u>Takaful Operator</u>				
RM	+50 basis points	-	(1,753)	-
RM	-50 basis points	-	1,801	-
<u>General Takaful Fund</u>				
RM	+50 basis points	-	-	(4,769)
RM	-50 basis points	-	-	4,901

**36. OPERATIONAL RISK**

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Company has developed a comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures, monitor and control the risk in order to avoid or reduce future losses. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via a structured risk assessment process.

**37. COMPLIANCE RISK**

Compliance risk is the risk arising from violations of, or non-conformance with business principles, internal policies and procedures, related laws, rules and regulations (i.e. BNM, Malaysian Takaful Association ("MTA"), Perbadanan Insurans Deposit Malaysia ("PIDM")) governing the takaful industry, products and activities.

Consequently, the exposure to this risk can damage the Company's reputation, lead to legal or regulatory sanctions and /or financial loss.

The Legal Department and Compliance Department are assigned to look into all compliance aspects in observing the regulatory requirements (e.g. BNM, MTA, PIDM). It has developed internal policies and procedures (e.g. Anti-Money Laundering Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the laws and guidelines issued by the authorities.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****38. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES**

The Company has applied the temporary exemption from the adoption of MFRS 9 "Financial Instruments" from 1 January 2018 to no later than 1 January 2023 (see Note 2.1(a)).

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and profit on the principal outstanding ("SPPI").

- a) The following table shows the carrying amount under MFRS 139 for financial assets with SPPI cash flow analysed by credit quality:

	<b>Government Guaranteed</b>	<b>AAA to AA</b>	<b>A1 to A3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2020</b>				
AFS financial assets:				
Islamic debt securities, unquoted	66,770	634,993	14,572	716,335
Financing receivables	-	3,124	-	3,124
Cash and cash equivalents:				
Fixed deposits with licensed financial institutions with maturities of less than 3 months	-	277,557	45,478	323,035
	66,770	915,674	60,050	1,042,494
<b>31 December 2019</b>				
AFS financial assets:				
Islamic debt securities, unquoted	70,918	440,077	17,638	528,633
Financing receivables	-	1,560	-	1,560
Cash and cash equivalents:				
Fixed deposits with licensed financial institutions with maturities of less than 3 months	-	342,472	-	342,472
	70,918	784,109	17,638	872,665



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****38. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)**

b) Fair value / carrying amount:

	<b>Financial assets with SPPI cash flow</b>	<b>Other financial assets</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fair value at 31 December 2020	1,042,494	246,355	1,288,849
Fair value changes during the financial year	9,509	-	9,509
Financial assets that do not have low credit risk:			
- Fair value / carrying amount at 31 December 2020 under MFRS 139	-	N/A	N/A

N/A – not applicable

	<b>Financial assets with SPPI cash flow</b>	<b>Other financial assets</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fair value at 31 December 2019	872,665	229,614	1,102,279
Fair value changes during the financial year	6,641	-	6,641
Financial assets that do not have low credit risk:			
- Fair value / carrying amount at 31 December 2019 under MFRS 139	-	N/A	N/A

N/A – not applicable

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **39. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

In the first quarter of 2020, Covid-19 was declared a pandemic. Globally, increasing measures were taken to contain it, and this led to a significant volatility in the financial markets, resulting in an adverse impact on the global business and economic activity.

With the development of Covid-19 outbreak in Malaysia, the Government issued a Movement Control Order ("MCO") beginning from 18 March 2020 until 31 March 2020. The MCO was subsequently extended to 3 May 2020. The MCO imposed limitation on movement of people, suspension of non-essential business operations, travel restrictions, and quarantine measures. The Government also introduced various economic stimulus plans to assist the citizens and businesses.

The Conditional Movement Control Order ("CMCO") was later introduced from 4 May 2020, of which majority of the economic and social activities were allowed, subject to the Standard Operating Procedures ("SOP") set for each sector. The CMCO was later extended to 9 June 2020, followed by the introduction of the Recovery Movement Control Order ("RMCO") from 10 June 2020 until 31 August 2020 with further relaxation on economic and social activities. CMCO was later reinstated from 14 October 2020.

On 11 January 2021, in light of the spike in Covid-19 cases within the country, MCO was reintroduced from 13 January 2021 until 4 March 2021, followed with CMCO from 5 March 2021 until 31 March 2021.

During 2020, the Company ensured that it continues to provide core insurance services to its customers and took mitigation actions as needed. Due to uncertainty of when the outbreak will be fully contained, it is challenging to predict the exact extent of the impact to the Company in the coming years. The Company will continue to monitor the situation and will take actions as needed to ensure it remains viable as a Company.

#### **40. SUBSEQUENT EVENT**

On 26 February 2021, the Board of Directors has approved the allotment of 60,000,000 new shares of the Company for a total consideration of RM60 million to Zurich Holdings Malaysia Berhad.

**Zurich General Takaful Malaysia Berhad**

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