

Reports  
And Statutory  
Financial  
Statement  
31 December 2021

# Inspiring actions together.

Zurich is committed to developing sustainable values to create a brighter future for our customers, employees, investors, and the planet we share.



Registration No.

201701045981 (1260157-U)

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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### **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”). 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 procedures 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 acting in the best interest of its shareholders.

#### **The Board Charter**

The Board Charter sets out the Board’s roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles prescribed under the Policy Document on Corporate Governance issued by BNM. The Board regularly reviews the Charter and ensures it remains consistent and relevant to the Board’s objectives and responsibilities, and all regulations/laws in connection thereto.

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

The composition of the Board since the date of the last report is as follows:

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

Hasnah binti Omar  
(appointed as Chairperson on 1 January 2021)  
Dato’ Wan Mohd Fadzmi bin Che Wan Othman Fadzilah  
(appointed on 17 May 2021)  
Manogaran Sinnathamby  
(appointed on 17 May 2021)  
Datin Joan Hoi Lai Ping  
(appointed on 1 March 2022)  
Matthew William Swinfen Cottrell  
(appointed on 11 November 2021)  
Dr Md Khalil bin Ruslan  
(retired on 14 March 2021)  
Onn Kien Hoe  
(retired on 31 May 2021)  
Dr Mohd Nordin bin Mohd Zain  
(retired on 31 May 2021)  
Kevin John Wright  
(resigned on 26 October 2021)

##### **Designation**

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

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

The Board comprises four Independent Non-Executive Directors and one Executive Director, each from diverse background and qualification 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 Chairperson 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, 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) together with Senior Management, promote a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (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 and other relevant regulatory bodies 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.

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### **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 Board of Directors of the Company on 5 August 2019 and 1 January 2021 respectively. Cik Hasnah is a member of the Audit Committee, the Risk Management and Sustainability Committee, and the 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 years, she served as the Head of Public Affairs Unit of the Bank, amongst others, assisting the 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 a 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. Amongst 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) and Bond Pricing Agency Malaysia Sdn Bhd. She also serves as a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre since 2015.

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

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

##### **Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah**

Malaysian, Male

Independent Non-Executive Director

Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah was appointed as an Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 17 May 2021. He is the Chairman of the Nomination and Remuneration Committee and a member of the Risk Management and Sustainability Committee and the Audit Committee of the Company.

Dato' Wan Mohd Fadzmi is a professional banker with over 25 years of experience in domestic and international banking. His career began in Melbourne, Australia as a Cost Estimator with Peter Slattery & Co in March 1986. Upon his return to Malaysia in 1988, Dato' Wan Mohd Fadzmi joined Malayan Banking Berhad (MBB) and held various positions at MBB's head office until December 1994. In December 1994, Dato' Wan Mohd Fadzmi moved to MBB's London branch as its Credit & Marketing Manager. This was followed by his appointment as General Manager/Country Head of the London branch in September 1999 where he was responsible for the UK operations. Dato' Wan Mohd Fadzmi then spent three years as MBB's New York General Manager/Country Head and had the overall responsibility for the New York City branch's banking operations. Dato' Wan Mohd Fadzmi then returned to the head office in Malaysia to helm Overseas Operations in November 2005 before leaving for the republic of China in September 2006. He spent the following four years as the General Manager/Chief Executive of MBB's Hong Kong branch.

Thereafter, he joined RHB Bank Berhad as Director, Global Business Banking Strategic Business Group in July 2010 where he was responsible for RHB's international banking operations comprising of branches in Singapore, Thailand and Brunei Darussalam.

Dato' Wan Mohd Fadzmi was then appointed as the President/Chief Executive Officer of Bank Pertanian (M) Berhad (Agrobank) in July 2011 until August 2017 and was fully responsible for leading Agrobank's full operations via 188 outlets in Peninsular Malaysia, Sabah and Sarawak.

Dato' Wan Mohd Fadzmi has received many accolades in his career including Outstanding CEO 2017 from Association Development Financial Institution in Asia Pacific in Macau, China and CEO of the Year at the Global Islamic Finance Award 2016 in Jakarta, Indonesia.

Dato' Wan Mohd Fadzmi holds a Bachelor of Construction Economics from RMIT University, Melbourne, Australia and attended the Advanced Management Program at The Wharton Business School, University of Pennsylvania, USA and the Senior Executive Finance Program at the Templeton College, University of Oxford, United Kingdom. He is a Chartered Banker at the Asian Institute of Chartered Bankers, a Fellow of Institute of Corporate Directors Malaysia and Chartered Professional in Islamic Finance.

He currently sits as the Non-Executive Chairman of Sumitomo Mitsui Banking Corporation Berhad, Independent Non-Executive Director at Hap Seng Consolidated Berhad, Director of IIUM Holdings Sendirian Berhad and Chairman of Sedania Assalam Capital Sdn Bhd.



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

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

##### **Manogaran Sinnathamby**

Malaysian, Male

Independent Non-Executive Director

Mr Manogaran Sinnathamby was appointed as an Independent Non-Executive Director of the Company on 17 May 2021. He is the Chairman of the Risk Management and Sustainability Committee and is also a member of the Audit Committee and the Nomination and Remuneration Committee of the Company.

Mr Manogaran is the Fellow-CIP of the Australian and New Zealand Institute of Insurance and Finance, the Chartered Insurer of Chartered Insurance Institute of London and the Associate of the Malaysian Insurance Institute.

Mr Manogaran joined the Malaysian insurance industry in 1976, held various responsibilities and positions and have a total of 44 years of experience in all areas of operation especially in the business developments, claims, underwriting and reinsurance.

From 2004 to 2006 prior merger with Aviva Insurance Berhad, Mr Manogaran was the Chief Operating Officer of Mitsui Sumitomo Insurance (M) Berhad. He oversees the operations of the Company, involved in formulating and implementing business strategies and plans. Subsequently, he held the position of Executive Vice President in MSIG Insurance (M) Bhd and was in charge of claims, underwriting and reinsurance.

Since 2015, he was the Chief Executive Officer of the Malaysian Motor Insurance Pool ("MMIP") till he retired in 2020. He provides support, guidance and strategic recommendations to the MMIP Council for effective governance and oversight function of MMIP, ensuring the administration of the MMIP are in accordance with the Collective Agreement signed by the member companies, ensuring the Administration Manager services are in accordance with the Service Level Agreement signed with MMIP and acted as the liaison with various stakeholders such as BNM, Persatuan Insuran Am Malaysia and ISM Insurance Services Malaysia Berhad.

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

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

##### **Matthew William Swinfen Cottrell**

British, Male

Executive Director

Mr Matthew William Swinfen Cottrell was appointed as an Executive Director of the Company on 11 November 2021.

Mr Matthew Cottrell obtained his education from Heathfield Comprehensive School, East Sussex, United Kingdom in 1984 and 1986.

Mr Matthew Cottrell has more than 34 years of experience with Zurich in the claims handling. He is currently the Regional Chief Claims Officer at Zurich Asia Pacific, a position he held since April 2016. In his current role, Mr Matthew Cottrell is accountable for the strategic, technical and operational execution for Life and non-Life Claims functions including new acquisitions such as One Path (ANZ Life Business), Covermore, Kono Insurance and Macquarie Life across Asia and Oceania (APAC) where Zurich has a direct and indirect Claims presence through the effective deployment of over 900 claims personnel. He is an active member of Zurich's APAC Regional Executive Committee and the Global Claims Executive Team, introducing and influencing wider Claims and other strategies.

Mr Matthew Cottrell started his career with Zurich in April 1987. Between 1987 and 1992, he held various claims handling positions, handling of liability, motor, household, mortgage indemnity and personal accident claims specialising in personal injury claims including rehabilitation, ongoing medical review and rudimentary 'back to work' programmes. He gained his first leadership role leading a team of handlers.

Between 1992 and 1996, he was tasked to play various systems implementation programmes roles such as leading the User Acceptance Team and assisting in the design of the user interface and the readiness testing prior to system delivery, led the process redesign workstream for Claims ensuring optimal balance between the need to amend the 'out of the box' systems functionality with the need to amend the claims handling processes to minimise project spend and oversight of the writing of technical handling manuals.

Mr Matthew Cottrell was promoted to Claims Department Manager in 1996. He managed a department of over 80 staffs responsible for technical standards, personnel issues, budget setting, recruitment and achieved a 25% improvement in productivity through identification and introduction of new business practices. In addition, he was a workstream leader in successful merger process of two separate Motor Engineering functions follow merger of Eagle Star and Zurich Insurance companies.

Between 1999 and 2001, he was the Account Manager for Head Office Claims function, responsible for the liaison between Internal Audit and strategic and operational claims areas and the direction of and involvement in risk analysis for strategic claims area.

Mr Matthew Cottrell was involved in reviewing the technological interaction between Zurich and its Claims suppliers and provided assistance in transfer of internal field force to external company in 2001-2002 as the Project Manager of Claims Transformation.



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

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

##### **Datin Joan Hoi Lai Ping**

Malaysian, Female

Independent Non-Executive Director

Datin Joan Hoi Lai Ping was appointed as an Independent Non-Executive Director of the Company on 1 March 2022. Datin Joan is the Chairperson of the Audit Committee. She is also a member of the Nomination and Remuneration Committee and Risk Management and Sustainability Committee of the Company.

Datin Joan Hoi was a former Partner of Accenture, specialising in Change Management and the financial services industry. She joined Accenture in year 1994 as a Manager and was promoted to be an Associate Partner in year 1999 and made Partner in year 2005. She retired from Accenture in March 2009 after 15 years.

Datin Joan Hoi served as the Head of the Finance Service Human Performance Service Line in ASEAN from year 2000 and Lead for Talent and Organization Performance in Kuala Lumpur from year 2005. During her time with Accenture, she worked with organisations to implement different types of change such as merger integration, group organisation structure changes including designing of group wide organisation structure, designation and implementation of new business operating models for commercial and corporate banking, bank branches, trade finance, collections, sales and marketing functions, creation of Human Resource shared services for an airline, reengineering of business functions/customer segments in banks, sales force effectiveness and learning centers. Besides Malaysia, Datin Joan Hoi has also worked with organisations in Australia, Indonesia and assisted projects in Portugal, Singapore, Korea and China.

Prior to joining Accenture, Datin Joan Hoi was in the banking industry for 11 years, working with Hong Leong Finance and the Commonwealth Bank of Australia. As a banker, she evaluated property development projects, managed loan syndications, managed the credit department, the regional office overseeing branches, business banking, corporate banking, implemented risk rating, centralization and underwent two mergers.

Datin Joan Hoi is the author of "Take on Change", a management book launched in Malaysia in June 2012 which provides valuable insights and perspectives on managing change effectively. She also served as a mentor for a leadership development programme.

Datin Joan Hoi graduated with a Bachelor of Economics from Monash University, Victoria, Australia in 1983. Datin Joan Hoi is a member of the Malaysian Institute of Accountants.

Datin Joan Hoi is currently the Independent Director of Zurich Life Insurance Malaysia Berhad and Malaysia Building Society Berhad. She is also the Independent Director of General Rewards Sdn. Bhd., a private property investment company.

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### **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 2021 included areas of leadership, governance, risk management, finance, investment, cybersecurity information technology, climate change and 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 2021, the Board met 11 times. All the Directors satisfied the minimum attendance of 75% of the Board meetings.

The number of meetings attended by each member of the Board for the financial year ended 31 December 2021 is as follows:

<b>Name of Directors</b>	<b>No. of Board Meetings Attended</b>
Hasnah binti Omar	11/11
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (appointed on 17 May 2021)	6/6
Manogaran Sinnathamby (appointed on 17 May 2021)	6/6
Datin Joan Hoi Lai Ping (appointed on 1 March 2022)	1/1
Matthew William Swinfen Cottrell (appointed on 11 November 2021)	3/3
Dr Md Khalil bin Ruslan (retired on 14 March 2021)	2/2
Onn Kien Hoe (retired on 31 May 2021)	6/6
Dr Mohd Nordin bin Mohd Zain (retired on 31 May 2021)	6/6
Kevin John Wright (resigned on 26 October 2021)	7/7

#### **Board Committees**

The Board delegates specific responsibilities to the Board Committees. The Board Committees are the Audit Committee, Nomination and Remuneration Committee, Risk Management and Sustainability Committee and the 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 matters rest with the Board.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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### **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 the AC are:

- (i) To approve the internal auditors' audit plan, review the adequacy of the scope, functions, resources and competency and ensure that it has the necessary authority to carry out its work;
- (ii) To review the results of the 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 fees 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 review the Compliance Policy and oversee its implementation, establish the Compliance function, review and evaluate the effectiveness of the overall management of compliance risk;
- (vii) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct;
- (viii) To determine the quality, adequacy and effectiveness of the Company's internal control environment;
- (ix) To ensure that the officers who perform the Shariah review function are qualified to undertake compliance function responsibilities and have sound understanding of the relevant Shariah requirements applicable to Islamic financial business; and
- (x) 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. For the financial year ended 31 December 2021, 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.

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### **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>
Datin Joan Hoi Lai Ping, Chairperson (appointed on 1 March 2022)	1/1
Hasnah binti Omar	6/6
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (appointed on 17 May 2021)	3/3
Manogaran Sinnathamby (appointed on 17 May 2021)	3/3
Dr Md Khalil bin Ruslan (retired on 14 March 2021)	1/1
Onn Kien Hoe, Chairman (retired on 31 May 2021)	3/3
Dr Mohd Nordin bin Mohd Zain (retired on 31 May 2021)	3/3

##### **Nomination and Remuneration Committee ("NRC")**

The NRC assists 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 the 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 principal duties and responsibilities of the NRC as per the Terms of Reference approved by Board are:

- (i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, the Chief Executive Officer, key senior officers (including the expatriates, if any) and members of the Shariah Committee of the Company;
- (ii) To recommend specific remuneration packages for Directors, the Chief Executive Officer, key senior officers (including the expatriates, if any) and members of the Shariah Committee of the Company; and
- (iii) To review and assess the nomination and selection of the Board, Senior Management (including the Chief Executive Officer and expatriates), members of the Shariah Committee and the Company Secretary, the performance of the Board, Chief Executive Officer and Shariah Committee, fit and proper assessments, succession planning and training and development needs.

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### **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 for the financial year ended 31 December 2021 is as follows:

	<b>No. of NRC Meetings Attended</b>
<b>Members</b>	
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah, Chairman (appointed on 17 May 2021)	3/3
Hasnah binti Omar	8/8
Manogaran Sinnathamby (appointed on 17 May 2021)	3/3
Datin Joan Hoi Lai Ping (appointed on 1 March 2022)	1/1
Dr Md Khalil bin Ruslan, Chairman (retired on 14 March 2021)	2/2
Onn Kien Hoe (retired on 31 May 2021)	5/5
Dr Mohd Nordin bin Mohd Zain (retired on 31 May 2021)	5/5

##### **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 and 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 the Company's sustainability strategy and objectives, review of the Company'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

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

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

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

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

- (vi) To provide oversight over technology-related matters which include review of technology frameworks, review and recommendation of technology risk appetite and risk tolerance for technology related events, ensure key performance indicators and forward looking risk indicators are in place, ensure 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 applications submitted to BNM are robust and comprehensive.

The members and number of meetings attended by each member of the RMSC for the financial year ended 31 December 2021 is as follows:

<b>Members</b>	<b>No. of RMSC Meetings Attended</b>
Manogaran Sinnathamby, Chairman (appointed on 17 May 2021)	3/3
Hasnah binti Omar	5/5
Dato’ Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (appointed on 17 May 2021)	3/3
Datin Joan Hoi Lai Ping (appointed on 1 March 2022)	0/0
Dr Md Khalil bin Ruslan (retired on 14 March 2021)	1/1
Onn Kien Hoe (retired on 31 May 2021)	2/2
Dr Mohd Nordin bin Mohd Zain, Chairman (retired on 31 May 2021)	2/2

##### **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 the 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:

1. 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.

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

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

##### **Shariah Committee ("SC") (continued)**

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

2. 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.
3. 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.
4. Endorse and validate relevant documentations  
To ensure that the products of the Company comply with Shariah principles, the SC must approve:
  - (i) The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
  - (ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
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.



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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

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

##### **Shariah Committee ("SC") (continued)**

The members and number of meetings attended by each member of the SC for the financial year ended 31 December 2021 is as follows:

<b>Members</b>	<b>No. of SC Meetings Attended</b>
Dr Mohamed Fairouz Bin Abdul Khir, Chairman (appointed on 1 July 2021)	7/7
Dr Zulkifli Bin Hasan	6/7
Dr Wan Marhaini Binti Wan Ahmad	6/7
Dr Zaharuddin Bin Abdul Rahman (appointed on 1 July 2021)	3/3
Prof Dr Zurina Binti Shafii (appointed on 1 July 2021)	3/3
Dr Yusri Bin Mohamad (retired on 30 June 2021)	4/4
Dr Md Khalil Bin Ruslan (retired on 30 June 2021)	4/4

#### **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 descriptions 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.

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, conflicts of interest referred to in Part B, paragraph 14 of of BNM/RH/PD 029-9 Corporate Governance as issued by BNM and paragraph 67 of the Islamic Financial Services Act 2013 ("IFSA").

##### **Corporate independence**

The Company has complied with the requirements of BNM's Policy Document on Related Party Transactions (BNM/RH/GL 018-6) 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 was obtained. All material related party transactions have been disclosed in the financial statements.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

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

##### **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 running in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interests.

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 is taken in a timely manner, where necessary. 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 Information Technology ("IT") Steering Committee is responsible for establishing effective IT and information systems plans, authorising 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 has put in place business resumption and contingency plans to ensure continued operations of mission critical functions. The Company has complied with the requirements of BNM's Guidelines on Management of IT Environment (GPIS-1) and Guidelines on Business Continuity Management (BNM/RH/GL/013-3).

##### **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.

##### **Risk management**

The RMSC meets regularly, at least four 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 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.

##### **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.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

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

##### **Remuneration policy**

The Company's remuneration policy is based on Zurich Insurance Group Limited's ("ZIGL") 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 Zurich's Remuneration Rules ("ZRR") issued by the Group, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

The guiding principles of the remuneration philosophy as set out in the ZRR 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 to support remuneration decisions.
- Variable remuneration awards are linked to key performance factors which can 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") are forms of variable remuneration which are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with the Company's 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.
- Reward decisions are made on basis of merit – performance, skills, experience, qualifications and potential – and are free from discrimination towards or against particular diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.

## **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)**

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, professional experience, internal equity, external competitiveness 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, Enterprise 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 and, in some jurisdictions, may apply for additional STIP and LTIP participants based on local legal and regulatory requirements 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.

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## **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 2021.

### **PRINCIPAL ACTIVITY**

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**

Net profit for the financial year

**RM'000**

**33,430**

### **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 has been declared or paid by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

### **SHARE CAPITAL**

The Company has increased its share capital to 343,369,750 during the financial year via the allotment of 60,000,000 new ordinary shares for cash of RM60,000,000.

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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

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

Directors who served since the date of the last report to the date of this report or who were appointed during the financial year are as follows:

<b><u>Name of Directors</u></b>	<b><u>Designation</u></b>
Hasnah binti Omar (appointed as Chairperson on 1 January 2021)	Chairperson, Independent Non-Executive Director
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (appointed on 17 May 2021)	Independent Non-Executive Director
Manogaran Sinnathamby (appointed on 17 May 2021)	Independent Non-Executive Director
Datin Joan Hoi Lai Ping (appointed on 1 March 2022)	Independent Non-Executive Director
Matthew William Swinfen Cottrell (appointed on 11 November 2021)	Executive Director
Dr Md Khalil bin Ruslan (retired on 14 March 2021)	Independent Non-Executive Director
Onn Kien Hoe (retired on 31 May 2021)	Independent Non-Executive Director
Dr Mohd Nordin bin Mohd Zain (retired on 31 May 2021)	Independent Non-Executive Director
Kevin John Wright (resigned on 26 October 2021)	Executive Director

#### **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 or benefits receivable from related corporations) 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.

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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

#### **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 amounted to RM7,984.

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

#### **DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

#### **DIRECTORS' REMUNERATION**

Details of Directors' remuneration paid and payable by the Company are set out in Note 25(a) to the financial statements.

#### **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 there were no bad debts 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) it necessary to write off any 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.



## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

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

- (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.

For the purpose of paragraphs (e)(ii) and (f)(i), 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 RBCT Framework 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 companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd. respectively. Both companies are incorporated in Switzerland.

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**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

The auditors, Ernst & Young PLT (LLP0022760-LCA & AF 0039), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 14 March 2022.



HASNAH BINTI OMAR  
DIRECTOR



DATO' WAN MOHD FADZMI BIN  
CHE WAN OTHMAN FADZILAH  
DIRECTOR

Kuala Lumpur  
14 March 2022

Registration No.

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## **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 Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah, 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 137 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and the 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.

Signed on behalf of the Board of Directors in accordance with their resolution dated 14 March 2022.



HASNAH BINTI OMAR  
DIRECTOR



DATO' WAN MOHD FADZMI BIN  
CHE WAN OTHMAN FADZILAH  
DIRECTOR

Kuala Lumpur  
14 March 2022

### **STATUTORY DECLARATION**

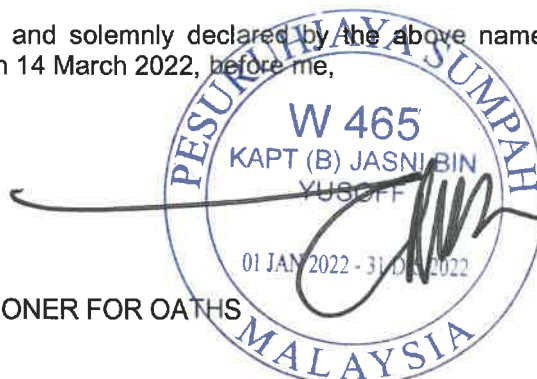
#### **PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Roslan Bin Ismail, being the authorised representative 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 137 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.



ROSLAN BIN ISMAIL

Subscribed and solemnly declared by the above named Roslan Bin Ismail at Kuala Lumpur in Malaysia on 14 March 2022, before me,



COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 23  
Bangunan KWSP, Jln Raja Laut,  
50350 Kuala Lumpur  
Tel: 019 6600745

## **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 2021.

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 (6) seating of scheduled meetings and one (1) special meeting for the financial year 2021 with the attendance of all members of SC were above 86%. 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 Management Services who reports to us, oversees the conduct and effectiveness of the internal Shariah functions i.e., Shariah Advisory and Business Development, Research and Training and Secretariat which is further substantiated by Shariah Review which resides in the Compliance Department, Shariah Risk at the Risk Management Department and Shariah Audit that resides in the Internal Audit Department. The roles of these functions are vital in facilitating new research and product development activities, refining existing products and procedures, providing Shariah training, managing Shariah non-compliance risks, conducting Shariah review and audit, 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 issuance of revised of Shariah Governance Policy Document of BNM. This includes the review and update of the Shariah Non-Compliance Event Reporting Guideline, Shariah Manual, Takaful Operational Model, Shariah Committee Charter and Purification Policy that aim, among others, to improve and strengthen the Shariah governance and compliance culture in Zurich General Takaful Malaysia Berhad.

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

Throughout 2021 more than fifteen ("15") Shariah trainings and briefing sessions were held covering more than one thousand ("1,000") participants. The trainings were conducted using online mode due to the restriction movement order and implementation of the new norm. The awareness program was further reinforced via annual Z-Fence program in collaboration with Shariah risk management. Overall, we are of the view that these programs would nourish the awareness of Shariah and Takaful and inculcate the Shariah compliance culture within the Company.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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### **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 2021, the Shariah Review function had presented to us, among others, the Shariah Review plan and its progress updates, latest issuance of the SAC rulings, the result of the review conducted by the Shariah Review and the rectification action taken by the business management to close the findings. The management also updated us on the revised Shariah Non-Compliance (SNC) event reporting process to ensure compliance with the revised Operational Risk Integrated Online Network (ORION) Policy Document issued by Bank Negara Malaysia (BNM). In addition, Shariah Review also participated in the Shariah training to educate and increase the awareness among the staff on the roles of Shariah Review function and the importance of adherence to Shariah requirements.

The management also presented to us on the shariah risk initiatives to increase awareness among staff and to promote the Shariah compliance culture in the Company through conducting various sessions on SNC Risk methodology and processes. The various sessions had been conducted in collaboration with various relevant stakeholders. In addition, awareness session on Operational Risk Integrated Online Network (ORION) and SNC reporting also had been conducted for targeted functions in collaboration with Risk Management. Besides, as part of regular review and to reflect current arrangement of potential Shariah non-compliance incident, Shariah Risk Management Policy and SOP – ORION - Shariah Non-Compliance Reporting have been revised.

In the same period, Internal Audit had presented to us one (1) report on Shariah Management Services Department for our information.

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

In 2021, no Shariah non-compliance (SNC) incident was reported to the Shariah Committee.

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

During the financial year, the Company had done 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 Zurich General Takaful Malaysia Berhad compliance with Shariah as follows:

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 Islamic Financial Institutions ("IFI") involved 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 2021 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

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**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

**On behalf of the Committee:**

Chairman of the Shariah Committee :



ASSOC. PROF. DR. MOHAMED FAIROOZ  
ABDUL KHIR

Shariah Committee :



ASSOC. PROF. DR. ZULKIFLI HASAN

Kuala Lumpur  
14 March 2022

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**Independent auditors' report to the member of  
Zurich General Takaful Malaysia Berhad  
(Incorporated in Malaysia)**

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

*Opinion*

We have audited the financial statements of Zurich General Takaful Malaysia Berhad, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 137.

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

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence and other ethical responsibilities*

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

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

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

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



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**Independent auditors' report to the member of  
Zurich General Takaful Malaysia Berhad  
(Incorporated in Malaysia)**

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

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

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

*Responsibilities of the directors for the financial statements*

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**Independent auditors' report to the member of  
Zurich General Takaful Malaysia Berhad  
(Incorporated in Malaysia)**

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

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

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

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Independent auditors' report to the member of  
Zurich General Takaful Malaysia Berhad  
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**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.

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2021.



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

Kuala Lumpur, Malaysia  
14 March 2022



Brandon Bruce Sta Maria  
No. 02937/09/2023 J  
Chartered Accountant

Registration No.

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		2021			2020		
		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 and equipment	4	2,533	-	2,533	1,039	-	1,039
Right-of-use assets	5	1,891	-	1,891	2,684	-	2,684
Intangible assets	6	24,394	-	24,394	26,184	-	26,184
Investments	7	383,073	617,443	1,000,516	281,784	437,675	719,459
Takaful receivables	8	-	47,151	47,151	-	38,434	38,434
Retakaful assets	9	-	111,885	111,885	-	114,360	114,360
Other receivables	10	32,551	378	2,148	28,585	659	1,620
Current tax assets		-	-	-	-	1,833	1,833
Deferred tax assets	17	17,716	3,815	21,531	12,306	728	13,034
Cash and cash equivalents	11	121,521	333,915	455,436	122,931	305,446	428,377
<b>TOTAL ASSETS</b>		<b>583,679</b>	<b>1,114,587</b>	<b>1,667,485</b>	<b>475,513</b>	<b>899,135</b>	<b>1,347,024</b>

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

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONTINUED)

		2021			2020		
		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	-	996,661	996,661	-	795,505	795,505
Lease liabilities	13	2,341	-	2,341	2,875	-	2,875
Takaful payables	14	-	32,628	32,628	-	31,539	31,539
Other payables	15	46,621	83,504	99,344	32,870	72,091	77,337
Expense liabilities	16	46,168	-	46,168	40,035	-	40,035
Current tax liabilities		4,382	1,794	6,176	4,986	-	4,986
<b>TOTAL LIABILITIES</b>		<b>99,512</b>	<b>1,114,587</b>	<b>1,183,318</b>	<b>80,766</b>	<b>899,135</b>	<b>952,277</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	18	377,000	-	377,000	317,000	-	317,000
Retained earnings	19(a)	107,176	-	107,176	73,746	-	73,746
Available-for-sale reserve	19(b)	(9)	-	(9)	4,001	-	4,001
		<b>484,167</b>	<b>-</b>	<b>484,167</b>	<b>394,747</b>	<b>-</b>	<b>394,747</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>583,679</b>	<b>1,114,587</b>	<b>1,667,485</b>	<b>475,513</b>	<b>899,135</b>	<b>1,347,024</b>

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

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021			2020		
	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	-	674,253	674,253	-	602,982	602,982
Contribution ceded to retakaful operators	20	-	(49,542)	(49,542)	-	(47,236)	(47,236)
<b>Net earned contributions</b>	20	<b>-</b>	<b>624,711</b>	<b>624,711</b>	<b>-</b>	<b>555,746</b>	<b>555,746</b>
Wakalah fee income		220,191	-	-	204,044	-	-
Investment income	21	13,766	24,158	37,924	12,690	21,594	34,284
Realised gains	22	37	65	102	-	-	-
Fee and commission income	23	-	9,443	9,443	-	8,979	8,979
Other operating income – net		2	4	6	-	-	-
<b>Other income</b>		<b>233,996</b>	<b>33,670</b>	<b>47,475</b>	<b>216,734</b>	<b>30,573</b>	<b>43,263</b>
<b>Total revenue</b>		<b>233,996</b>	<b>658,381</b>	<b>672,186</b>	<b>216,734</b>	<b>586,319</b>	<b>599,009</b>
Gross benefits and claims paid	24	-	(223,917)	(223,917)	-	(262,090)	(262,090)
Claims ceded to retakaful operators	24	-	12,898	12,898	-	17,447	17,447
Gross change in contract liabilities	24	-	(182,370)	(204,284)	-	(88,769)	(107,779)
Change in contract liabilities ceded to retakaful operators	24	-	(3,861)	(3,861)	-	(13,017)	(13,017)
<b>Net benefits and claims</b>		<b>-</b>	<b>(397,250)</b>	<b>(419,164)</b>	<b>-</b>	<b>(346,429)</b>	<b>(365,439)</b>

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

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		2021			2020		
	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
Wakalah fee expenses		-	(220,191)	-	-	(204,044)	-
Fee and commission expenses	23	(77,575)	-	(77,575)	(72,000)	-	(72,000)
Management expenses	25	(113,721)	-	(113,721)	(99,796)	-	(99,796)
Expense liabilities	16	(6,133)	-	(6,133)	(7,883)	-	(7,883)
Other operating expenses		(92)	(1,693)	(1,785)	(183)	(86)	(269)
<b>Other expenses</b>		<b>(197,521)</b>	<b>(221,884)</b>	<b>(199,214)</b>	<b>(179,862)</b>	<b>(204,130)</b>	<b>(179,948)</b>
<b>Total underwriting surplus from operations</b>		<b>36,475</b>	<b>39,247</b>	<b>53,808</b>	<b>36,872</b>	<b>35,760</b>	<b>53,622</b>
Surplus declared and payable to participants		-	(12,000)	-	-	(10,000)	-
Surplus declared and payable to Takaful Operator		12,000	(12,000)	-	10,000	(10,000)	-
Surplus transferred to unallocated surplus		-	(9,914)	-	-	(9,010)	-
<b>Profit before taxation</b>		<b>48,475</b>	<b>5,333</b>	<b>53,808</b>	<b>46,872</b>	<b>6,750</b>	<b>53,622</b>
Zakat		(1,249)	-	(1,249)	(1,208)	-	(1,208)
Taxation	26	(13,796)	(5,333)	(19,129)	(11,169)	(6,750)	(17,919)
<b>Net profit for the financial year</b>		<b>33,430</b>	<b>-</b>	<b>33,430</b>	<b>34,495</b>	<b>-</b>	<b>34,495</b>
<b>Basic earnings per share (sen)</b>	28			<b>10.01</b>			<b>12.17</b>

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



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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021			2020		
	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>		33,430	-	33,430	34,495	-	34,495
<b>Other comprehensive (loss)/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		(5,239)	-	(5,239)	3,864	-	3,864
- Fair value gain transferred to statement of profit or loss on disposal		(37)	-	(37)	-	-	-
- Deferred tax	17	1,266	-	1,266	(927)	-	(927)
<b>Other comprehensive (loss)/income for the financial year, net of tax</b>		<b>(4,010)</b>	<b>-</b>	<b>(4,010)</b>	<b>2,937</b>	<b>-</b>	<b>2,937</b>
<b>Total comprehensive income for the financial year</b>		<b>29,420</b>	<b>-</b>	<b>29,420</b>	<b>37,432</b>	<b>-</b>	<b>37,432</b>

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

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	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 2021</b>	317,000	4,001	73,746	394,747
Issuance of shares during the financial year (Note 18)	60,000	-	-	60,000
Net profit for the financial year	-	-	33,430	33,430
Other comprehensive loss for the financial year	-	(4,010)	-	(4,010)
<b>At 31 December 2021</b>	<b>377,000</b>	<b>(9)</b>	<b>107,176</b>	<b>484,167</b>
<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>

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 2021**

	Note	2021 RM'000	2020 RM'000
<b>OPERATING ACTIVITIES</b>			
Cash (utilised in)/generated from operating activities	29	(48,677)	18,935
Investment income received		40,965	36,742
Interest expense on lease liabilities	13	91	120
Income tax paid		(21,320)	(27,766)
<b>Net cash (outflows)/inflows from operating activities</b>		<b>(28,941)</b>	<b>28,031</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	4	(2,274)	(783)
Purchase of intangible assets	6	(349)	(209)
<b>Net cash outflows from investing activities</b>		<b>(2,623)</b>	<b>(992)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares	18	60,000	-
Payment of lease liabilities	13	(1,377)	(1,465)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>58,623</b>	<b>(1,465)</b>
<b>Net increase in cash and cash equivalents</b>		<b>27,059</b>	<b>25,574</b>
Cash and cash equivalents at the beginning of the financial year		428,377	402,803
<b>Cash and cash equivalents at the end of the financial year</b>		<b>455,436</b>	<b>428,377</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	11	123,554	105,919
Fixed deposits with licensed financial institution with original maturities of less than 3 months	11	331,882	322,458
		<b>455,436</b>	<b>428,377</b>

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

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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

(Incorporated in Malaysia)

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

#### **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 14 March 2022.

##### **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, 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.

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## **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 fund and the Takaful Operator together with the Company-level financial statements in the statement of financial position and the statement of profit or loss as well as the related 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 fund from that of the Takaful Operator. The accounting policies adopted for the Takaful Operator and Takaful fund 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 judgements 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 3 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.

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## 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)

##### Standards, amendments to published standards and interpretations

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

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

Descriptions	Effective for annual financial periods beginning on or after
• Amendments to MFRS 9 <i>Financial Instruments</i> , MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7 <i>Financial Instruments: Disclosures</i> , MFRS 4 <i>Insurance Contracts</i> and MFRS 16 <i>Leases</i> (Reference to Interest Rate Benchmark Reform – Phase 2)	1 January 2021
• Amendments to MFRS 16 <i>Leases</i> (Reference to Covid-19 Related Rent Concessions beyond 30 June 2021)	1 April 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- (ii) Standards and amendments/improvements to published standards that are issued but not yet effective

The following are Standards and Amendments to Standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards and amendments to standards, if applicable, when they become effective.

Descriptions	Effective for annual financial periods beginning on or after
• Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i> (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 16 <i>Leases</i> (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 116 <i>Property, Plant and Equipment</i> (Reference to Property, Plant and Equipment – Proceeds before Intended Use)	1 January 2022
• Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> (Reference to Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
• Amendments to MFRS 3 <i>Business Combinations</i> (Reference to the Conceptual Framework)	1 January 2022

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## 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)

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

- (ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

The following are Standards and Amendments to Standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards and amendments to standards, if applicable, when become effective. (continued)

Descriptions	Effective for annual financial periods beginning on or after
• Amendments to MFRS 9 <i>Financial Instruments</i> (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i> (Reference to Classification of Liabilities as Current of Non-current)	1 January 2023
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i> (Disclosure of Accounting Policies)	1 January 2023
• MFRS 17 <i>Insurance Contracts and amendments</i>	1 January 2023
• Amendments to MFRS 17 <i>Insurance Contracts</i> – Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
• Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 <i>Income Taxes</i> – Deferred Tax Related to Assets and Liabilities arising from Single Transaction	1 January 2023
• Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

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

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

- (ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

The Directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

- MFRS 17 “Insurance Contracts” and its amendments

MFRS 17 “Insurance Contracts” replaces MFRS 4 “Insurance Contracts”. MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 “Revenue from Contracts with Customers”. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts (other than reinsurance contracts) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be ‘unbundled’ and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

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

Alternative measurement models are provided for the different insurance coverages:

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

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.



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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

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

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

(ii) Standards and amendments/improvements to published standards that are issued but not yet effective (continued)

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

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 oversee the implementation of MFRS 17. Major enhancements on the accounting and actuarial systems have been completed. Moving forward, the Company’s focus would primarily be on finalising the implementation efforts and analysing the effects of MFRS 17 on the financial statements.

The Company has also decided to use the option to defer the full implementation of MFRS 9 until MFRS 17 “Insurance Contracts” becomes effective on 1 January 2023 in accordance with the Amendments to MFRS 4 “Extension of the Temporary Exemption from Applying MFRS 9”.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to 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. The Company’s predominance ratio reflecting the share of liabilities connected to takaful compared to total liabilities exceeded 90 percent.

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance 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 contracts are often measured at amortised cost basis.

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.

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.

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## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

##### **2.2 Summary of significant accounting policies**

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

Property and equipment are initially stated at cost. These include expenditure that is 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 year in which they are incurred.

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

Property 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
Fixtures and fittings	5 to 10 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. Please refer to Note 2.2(i) to the financial statements for the accounting policy 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.

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

###### Computer software

Acquired computer software licenses 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 establishment 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 an appropriate portion of relevant overheads to prepare the asset for its intended use.

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

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

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

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

###### Computer software (continued)

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives, not exceeding a period of three years.

Computer software under development is not amortised until the asset is ready for its intended use. In the interim, it is reviewed for impairment at each reporting date.

###### Other intangible assets

Other intangible assets are the 15-year 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 accumulated 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 2.2(i).

###### **(c) 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 to apply the practical expedient provided in MFRS 16 so as 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 the lease liability.

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

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

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

###### **(c) 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. Please refer to (iii) on reassessment of lease liabilities.

###### **(ii) ROU assets**

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities.

The amortisation period is as follows:

- |                      |             |
|----------------------|-------------|
| • Leasehold premises | 2 – 6 years |
|----------------------|-------------|

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

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

###### **(c) 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 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 ROU asset or is recorded in profit or loss if the carrying amount of the ROU 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 bases as an expense in profit or loss.

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

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

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

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

The Company has elected to account for Covid-19-related rent concessions that met all of the following conditions in the same way as they would if they were not lease modifications:

- (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 accounted for such Covid-19-related rent concessions as a variable lease payment in the period in which the event or condition that triggered the reduced payment occurred. The Company recognised the impacts of rent concessions within profit or loss.

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

The Company classifies its financial assets into the following categories: Loans and receivables ("LAR") 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.

###### **(i) Loans and receivables**

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

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

###### **(ii) 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.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

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

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

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

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.

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.

##### **(e) 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) prices 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, correlation, 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 amount 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.

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

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

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

###### **(f) 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 market convention.

###### **(g) 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 derecognition 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.

###### **(h) 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**

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

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

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

##### **(h) 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 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 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.

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets 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 purposes of impairment assessment, 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 a 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.

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

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

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

###### **(j) Takaful receivables**

Takaful receivables are recognised when due and measured at initial recognition at the fair value of the consideration 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 recognises 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 financial assets. These processes are described in Note 2.2(i) to the financial statements.

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(h) to the financial statements, have been met.

###### **(k) 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.

###### **(l) 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.

###### **(m) 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.

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

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

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

###### **(m) Provisions (continued)**

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.

###### **(n) 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 payable 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 terms, 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.

###### **(o) 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.

###### **(p) 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.

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

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

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

###### **(p) Takaful product classification (continued)**

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.

###### **(q) 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 inception 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, which made up 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 contractual obligations at the reporting date.

Provision for claim 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 the date of the statement of financial position, based on an actuarial valuation with additional risk margin.

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

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

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

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

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

###### **(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 for Adverse Deviation ("FPRAD"), calculated at the overall fund level.

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

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 risk margin applied is to achieve the same probability of sufficiency of future claims as per the estimate of the outstanding claim liabilities, see Note 3(c).

###### **(r) Retakaful**

The Company cedes takaful risk in the normal course of business for all its businesses. Retakaful assets represent amounts recoverable 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 its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

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

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

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

###### **(r) Retakaful (continued)**

Retakaful assets and receivables are reviewed for impairment at the date of the statement of financial position 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 assumes 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 assets or liabilities are derecognised when the contractual rights are extinguished or expired 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.

###### **(s) Expense liabilities**

The expense liabilities of the Takaful Operator's fund consist of 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 certificates and recognised in 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 represents 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, with a portion being earned upfront to reflect the acquisition cost.

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

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

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

###### **(s) Expense liabilities (continued)**

###### 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 claim 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 per the estimate of the outstanding claim liabilities.

###### **(t) 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 tasks that have been delegated to the Takaful Operator. The wakalah fee is an income to the Takaful Operator and is charged to the participants 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 participants and the Takaful Operator at the time of entering into the contract.

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

###### **(u) 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 Takaful Operator.

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.

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

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

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

###### **(v) Other revenue recognition**

Investment income including the amount of amortisation of premium and accretion of discount 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 profit or loss.

###### **(w) 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.

###### **(x) Income taxes**

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the 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 profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised in other comprehensive income or directly in equity respectively.

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

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, based on the 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.



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

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

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

###### **(x) Income taxes (continued)**

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.

###### **(y) Employee benefits**

###### Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year 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.

###### 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 year. 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.

###### Share-based long-term incentive plan

The ultimate holding corporation, Zurich Insurance Group Ltd ("ZIGL"), operates a global long term incentive plan ("LTIP") wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL and its subsidiary companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit. The Company purchases the right to shares from this holding vehicle for Malaysian resident directors and senior executives who participate in the plan. When shares vest with the participants, the central share vehicle transfers those shares directly to the participants. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

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

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

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

###### **(y) Employee benefits (continued)**

###### Share-based long-term incentive plan (continued)

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the statement of profit or 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.

#### **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 Takaful Operator makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. The estimates and assumptions that have a significant risk of causing 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 the cost of notified claims to the Takaful Operator. 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 variations between initial estimates and final outcomes because there is a greater degree of uncertainty 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.

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

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

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

The Takaful Operator 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 claim 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 attitude 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 are selected after due consideration is 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.

##### **(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 claim 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 number of claims and multiplying by projected ultimate average cost;
- Projecting ultimate claim payment amounts;
- Projecting ultimate claim incurred amounts; and
- Applying plan or forecast loss ratios to the earned contributions.

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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 Takaful Operator's outstanding claims and hence reflected in the valuation process.

For the above reasons, Provision of 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 class of business and the diversification benefit of underwriting a number of classes of business. In accordance with Bank Negara Malaysia's 'Risk-Based Capital Framework for Takaful Operators', the Takaful Operator has established the level of risk margin to provide a probability of adequacy of 75%.

##### (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 a lease contract 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.

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. PROPERTY AND EQUIPMENT

	2021 Takaful Operator/ Company				2020 Takaful Operator/ Company		
	Computer hardware	Fixtures and fittings	Motor vehicle	Total	Computer hardware	Motor vehicle	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
At 1 January	1,299	-	314	1,613	830	-	830
Additions	1,997	277	-	2,274	469	314	783
Disposal	-	-	(314)	(314)	-	-	-
At 31 December	3,296	277	-	3,573	1,299	314	1,613
<b>Accumulated depreciation</b>							
At 1 January	527	-	47	574	299	-	299
Charge for the financial year (Note 25)	491	22	52	565	228	47	275
Disposal	-	-	(99)	(99)	-	-	-
At 31 December	1,018	22	-	1,040	527	47	574
<b>Net carrying amount</b>							
At 31 December	2,278	255	-	2,533	772	267	1,039

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### 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>2021</b>	<b>2020</b>
	<b>Takaful Operator/ Company RM'000</b>	<b>Takaful Operator/ Company RM'000</b>
<b>Cost</b>		
At 1 January	5,515	6,029
Contract renewal	752	(514)
At 31 December	<u>6,267</u>	<u>5,515</u>
<b>Accumulated depreciation</b>		
At 1 January	2,830	1,600
Charge for the financial year (Note 25)	1,546	1,231
At 31 December	<u>4,376</u>	<u>2,831</u>
<b>Net carrying amount</b>		
At 31 December	<u>1,891</u>	<u>2,684</u>

There are no short-term leases and leases of low-value assets as at 31 December 2021 and 2020.

The following are the amounts recognised in profit or loss:

	<b>2021</b>	<b>2020</b>
	<b>Takaful Operator/ Company RM'000</b>	<b>Takaful Operator/ Company RM'000</b>
Depreciation of right-of-use asset (Note 25)	1,546	1,231
Interest expense on lease liabilities	91	120
Total amount recognised in profit or loss	<u>1,637</u>	<u>1,351</u>

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6. INTANGIBLE ASSETS

	Takaful Operator/Company		
	Computer Software	Other intangible assets	Total
	RM'000	RM'000	RM'000
<b>Cost</b>			
At 1 January 2021	2,095	30,000	32,095
Additions	349	-	349
At 31 December 2021	2,444	30,000	32,444
<b>Accumulated amortisation</b>			
At 1 January 2021	1,911	4,000	5,911
Charge for the financial year (Note 25)	139	2,000	2,139
At 31 December 2021	2,050	6,000	8,050
<b>Net carrying amount</b>			
At 31 December 2021	394	24,000	24,394

	Takaful Operator/Company		
	Computer Software	Other intangible assets	Total
	RM'000	RM'000	RM'000
<b>Cost</b>			
At 1 January 2020	1,886	30,000	31,886
Additions	209	-	209
At 31 December 2020	2,095	30,000	32,095
<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	1,911	4,000	5,911
<b>Net carrying amount</b>			
At 31 December 2020	184	26,000	26,184

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

Other intangible assets relate to the exclusive bancatakaful agreement with Alliance Islamic Bank Berhad and direct customer relationship acquired through the acquisition of a 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 their useful lives of 15 years using the straight-line method.

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

<b>Key assumptions</b>	<b>2021</b>	<b>2020</b>
<u>Bancatakaful agreement:</u>		
Bancatakaful average annualised gross written contribution growth rate	13.58%	11.88%
Discount rate – pre tax	12.13%	12.65%
<u>Direct customer relationship:</u>		
Discount rate – pre tax	12.13%	12.65%

**Sensitivity to changes in key assumptions**

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

**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 2021</u>				
Loans and receivables	(a)	-	163,067	163,067
Available-for-sale ("AFS") financial assets	(b)	383,073	454,376	837,449
		<u>383,073</u>	<u>617,443</u>	<u>1,000,516</u>
The following investments mature after 12 months:				
AFS financial assets		<u>311,621</u>	<u>353,203</u>	<u>664,824</u>
<u>At 31 December 2020</u>				
Loans and 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>



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

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2021</u>			
Amortised cost:			
Fixed deposits with licensed financial institutions	-	163,067	163,067
	-	163,067	163,067
<u>At 31 December 2020</u>			
Amortised cost:			
Fixed deposits with licensed financial institutions	-	3,124	3,124
	-	3,124	3,124

As at 31 December 2021, fixed deposits of RM163,067,000 (2020: RM3,124,000), placed with a licensed Islamic bank, has a maturity term of more than 3 months.

**(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 2021</u>			
Fair value:			
Government Investment Issues	88,027	-	88,027
Islamic debt securities, unquoted	295,046	454,376	749,422
	383,073	454,376	837,449

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

	<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>

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

The movements in the Company's AFS financial assets are summarised in the table below by measurement category.

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
At 1 January 2021	281,784	434,551	716,335
Purchases	146,911	95,894	242,805
Disposals (sale and redemptions)	(39,037)	(65,569)	(104,606)
Realised profit transferred from profit or loss on disposal (Note 22)	37	65	102
Fair value loss recorded in:			
- Other comprehensive income	(5,276)	-	(5,276)
- Takaful contract liabilities	-	(8,403)	(8,403)
Amortisation and accrued profit	(1,346)	(2,162)	(3,508)
At 31 December 2021	<u>383,073</u>	<u>454,376</u>	<u>837,449</u>

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
At 1 January 2020	136,634	391,999	528,633
Purchases	158,828	91,522	250,350
Disposals (sale and redemptions)	(17,000)	(52,700)	(69,700)
Realised profit transferred from profit or loss on disposal (Note 22)	-	-	-
Fair value gain recorded in:			
- Other comprehensive income	3,864	-	3,864
- Takaful contract liabilities	-	5,645	5,645
Amortisation and accrued profit	(542)	(1,915)	(2,457)
At 31 December 2020	<u>281,784</u>	<u>434,551</u>	<u>716,335</u>

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

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

	<b>2021</b>	<b>2020</b>
	<b>General Takaful Fund/ Company RM'000</b>	<b>General Takaful Fund/ Company RM'000</b>
<u>At 31 December</u>		
Due contributions including agents/brokers and co-takaful balance	46,755	38,850
Due from retakaful and cedants	8,967	6,546
	55,722	45,396
Allowance for impairment loss	(8,571)	(6,962)
	<u>47,151</u>	<u>38,434</u>

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity.

**9. RETAKAFUL ASSETS**

	<b>2021</b>	<b>2020</b>
	<b>General Takaful Fund/ Company RM'000</b>	<b>General Takaful Fund/ Company RM'000</b>
<u>At 31 December</u>		
Retakaful of takaful contracts		
Claim liabilities (Note 12(i))	97,201	101,062
Contribution liabilities (Note 12(ii))	14,684	13,298
	<u>111,885</u>	<u>114,360</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****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 2021</u>			
Amount due from related companies * (Note 30(c))	1,070	-	1,070
Other receivables, deposits, and prepayments	582	113	695
Income due and accrued	118	265	383
	<u>1,770</u>	<u>378</u>	<u>2,148</u>
Inter-fund balances			
Amount due from General Takaful Fund *	18,781	-	-
Surplus receivable from General Takaful Fund *	12,000	-	-
	<u>30,781</u>	<u>-</u>	<u>-</u>
	<u>32,551</u>	<u>378</u>	<u>2,148</u>
	<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 from related companies * (Note 30(c))	103	-	103
Other receivables, deposits and prepayments	672	268	940
Income due and accrued	186	391	577
	<u>961</u>	<u>659</u>	<u>1,620</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>28,585</u>	<u>659</u>	<u>1,620</u>

The carrying amounts (excluding prepayments) approximate fair values at the date of the statement of financial position due to their short-term maturity.

\* These balances are non-profit bearing, unsecured and repayable in the short-term.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****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 2021</u>			
Cash and bank balances	20,129	103,425	123,554
Fixed deposits with licensed financial institutions with original maturities of less than 3 months	101,392	230,490	331,882
	<u>121,521</u>	<u>333,915</u>	<u>455,436</u>
	<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 original maturities of less than 3 months	91,997	230,461	322,458
	<u>122,931</u>	<u>305,446</u>	<u>428,377</u>

**12. TAKAFUL CONTRACT LIABILITIES**

The General takaful contract liabilities and movements are further analysed as follows:

	<b>General Takaful Fund/Company</b>		
	<b>Gross</b>	<b>Re-takaful</b>	<b>Net</b>
<u>At 31 December 2021</u>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for claims	382,303	(69,096)	313,207
Provision for incurred but not reported claims ("IBNR")	250,980	(17,025)	233,955
Provision for adverse deviation ("PRAD")	42,338	(11,080)	31,258
Claim liabilities (i)	675,621	(97,201)	578,420
Contribution liabilities (ii)	251,994	(14,684)	237,310
AFS reserve (iii)	2,277	-	2,277
Unallocated surplus (iv)	66,769	-	66,769
	<u>996,661</u>	<u>(111,885)</u>	<u>884,776</u>

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

The General takaful contract liabilities and movements are further analysed as follows: (continued)

	<b>General Takaful Fund/Company</b>		
	<b>Gross</b>	<b>Re-takaful</b>	<b>Net</b>
<u>At 31 December 2021</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>(i) Claim liabilities</u>			
At 1 January 2021	493,251	(101,062)	392,189
Claims incurred in the current accident year	417,959	(15,469)	402,490
Other movements in claims incurred in prior accident years	(15,416)	6,728	(8,688)
Claims paid during the financial year (Notes 24(a) and 24(b))	(223,917)	12,898	(211,019)
Movement in PRAD	3,744	(296)	3,448
At 31 December 2021	<u>675,621</u>	<u>(97,201)</u>	<u>578,420</u>

(ii) Contribution liabilities

At 1 January 2021	236,736	(13,298)	223,438
Contribution written in the financial year (Notes 20(a) and 20(b))	689,511	(50,928)	638,583
Contribution earned during the financial year (Notes 20(a) and 20(b))	(674,253)	49,542	(624,711)
At 31 December 2021	<u>251,994</u>	<u>(14,684)</u>	<u>237,310</u>

	<b>General Takaful Fund/Company</b>		
	<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 2021	11,399	(2,736)	8,663
Fair value movements arising from AFS financial assets	(8,403)	2,017	(6,386)
At 31 December 2021	<u>2,996</u>	<u>(719)</u>	<u>2,277</u>

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

The General takaful contract liabilities and movements are further analysed as follows: (continued)

	<b>General Takaful Fund/ Company RM'000</b>
<u>At 31 December 2021</u>	
<u>(iv) Unallocated surplus</u>	
At 1 January 2021	56,855
Surplus arising during the year	33,914
Surplus distributed to participants during the year	(12,000)
Surplus distributed to Takaful Operator during the year	(12,000)
At 31 December 2021	<u>66,769</u>

	<b>General Takaful Fund/Company</b>		
	<b>Gross</b>	<b>Re- takaful</b>	<b>Net</b>
<u>At 31 December 2020</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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
Contribution liabilities (ii)	236,736	(13,298)	223,438
AFS reserve (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) Claim liabilities</u>			
At 1 January 2020	404,482	(114,079)	290,403
Claims incurred in the current accident year	365,961	(16,224)	349,737
Other movements in claims incurred in prior accident years	(20,340)	10,900	(9,440)
Claims paid during the financial year (Notes 24(a) and 24(b))	(262,090)	17,447	(244,643)
Movement in PRAD	5,238	894	6,132
At 31 December 2020	<u>493,251</u>	<u>(101,062)</u>	<u>392,189</u>

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

The General takaful contract liabilities and movements are further analysed as follows: (continued)

	<b>General Takaful Fund/Company</b>		
	<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>
<u>(ii) Contribution liabilities</u>			
At 1 January 2020	202,876	(13,231)	189,645
Contribution written in the financial year (Notes 20(a) and 20(b))	636,842	(47,303)	589,539
Contribution earned during the financial year (Notes 20(a) and 20(b))	(602,982)	47,236	(555,746)
At 31 December 2020	<u>236,736</u>	<u>(13,298)</u>	<u>223,438</u>

	<b>General Takaful Fund/Company</b>		
	<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 2020	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>General Takaful Fund/Company</b>
	<b>RM'000</b>
<u>(iv) Unallocated surplus</u>	
At 1 January 2020	47,845
Surplus arising during the year	29,010
Surplus distributed to participants during the year	(10,000)
Surplus distributed to Takaful Operator during the year	(10,000)
At 31 December 2020	<u>56,855</u>



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

	<b>2021</b>	<b>2020</b>
	<b>Takaful Operator/ Company RM'000</b>	<b>Takaful Operator/ Company RM'000</b>
Non-current lease liabilities	284	1,512
Current lease liabilities	2,057	1,363
Total lease liabilities	<u>2,341</u>	<u>2,875</u>

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

	<b>2021</b>	<b>2020</b>
	<b>Takaful Operator/ Company RM'000</b>	<b>Takaful Operator/ Company RM'000</b>
At 1 January	2,875	4,747
Payment of lease liabilities	(1,377)	(1,465)
Contract renewal	752	(514)
Accrued interest	91	120
Effects of rent concession received *	-	(13)
At 31 December	<u>2,341</u>	<u>2,875</u>

\* During the financial year 2020, as a result of Covid-19 pandemic, the Company has benefited from the waiver of lease payments as shown below. There was no waiver of lease payments during the current financial year.

**Building**

KL Eco City

**Rebate period**

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.

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

	<b>2021</b>	<b>2020</b>
	<b>General Takaful Fund/ Company RM'000</b>	<b>General Takaful Fund/ Company RM'000</b>
<u>At 31 December</u>		
Due to agents and intermediaries	8,916	13,195
Due to retakaful operators and cedants	23,712	18,344
	<u>32,628</u>	<u>31,539</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position due to their short-term maturity.

**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 2021</u>			
Amount due to a related companies * (Note 30 (c))	4,373	-	4,373
Contribution deposits	-	481	481
Accruals for staff costs	5,708	-	5,708
Other payables and accruals	36,540	20,551	57,091
Surplus payable to participants	-	31,691	31,691
	<u>46,621</u>	<u>52,723</u>	<u>99,344</u>
Inter-fund balances			
Amount due to Takaful Operator *	-	18,781	-
Surplus payable to Takaful Operator *	-	12,000	-
	<u>-</u>	<u>30,781</u>	<u>-</u>
	<u>46,621</u>	<u>83,504</u>	<u>99,344</u>

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

<u>At 31 December 2020</u>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Amount due to a related companies *			
(Note 30(c))	5,709	-	5,709
Contribution deposits	-	481	481
Accruals for staff costs	2,882	-	2,882
Other payables and accruals	24,279	16,413	40,692
Surplus payable to participants	-	27,573	27,573
	<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>

The carrying amounts of financial liabilities disclosed above approximate the fair values at the date of the statement of financial position due to their short-term maturity.

\* These balances are profit-free, unsecured and repayable in the short-term.

**16. EXPENSE LIABILITIES**

	<b>2021 Takaful Operator/ Company RM'000</b>	<b>2020 Takaful Operator/ Company RM'000</b>
At 1 January	40,035	32,152
Expense incurred during the financial year	6,133	7,883
At 31 December	<u>46,168</u>	<u>40,035</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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:

<u>2021</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 2021	12,306	728	13,034
Credited/(charged) to statement of profit or loss (Note 26)			
- investments	493	284	777
- provisions	2,565	-	2,565
- property and equipment	(300)	-	(300)
- leases	55	-	55
- write-back of impairment loss	-	(692)	(692)
- expense liabilities	1,331	-	1,331
- others	-	1,478	1,478
	<u>4,144</u>	<u>1,070</u>	<u>5,214</u>
Credited to comprehensive income:			
- available-for-sale reserve	1,266	-	1,266
Credited to takaful contract liabilities:			
- available-for-sale reserve	-	2,017	2,017
At 31 December 2021	<u>17,716</u>	<u>3,815</u>	<u>21,531</u>

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

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

<u>2020</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 2020	10,019	2,805	12,824
Charged/(credited) to statement of profit or loss (Note 26)			
- investments	414	284	698
- provisions	874	-	874
- property and equipment	83	-	83
- leases	(38)	-	(38)
- allowance for impairment loss	-	(251)	(251)
- expense liabilities	1,881	-	1,881
- others	-	(755)	(755)
	<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**

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

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>31 December 2021</u>			
<u>Subject to income tax:</u>			
Deferred tax assets (before offsetting)			
- investments	954	263	1,217
- allowance for impairment loss	-	979	979
- expense liabilities	10,837	-	10,837
- provisions	5,949	-	5,949
- leases	120	-	120
- others	-	2,573	2,573
	<u>17,860</u>	<u>3,815</u>	<u>21,675</u>
Offsetting	(144)	-	(144)
Deferred tax assets after offsetting	<u>17,716</u>	<u>3,815</u>	<u>21,531</u>
Deferred tax liabilities (before offsetting)			
- property and equipment	(144)	-	(144)
	<u>(144)</u>		<u>(144)</u>
Offsetting	144	-	144
Deferred tax liabilities after offsetting	<u>-</u>	<u>-</u>	<u>-</u>
<u>31 December 2020</u>			
<u>Subject to income tax:</u>			
Deferred tax assets (before offsetting)			
- allowance for impairment loss	-	1,671	1,671
- property and equipment	157	-	157
- expense liabilities	9,506	-	9,506
- provisions	3,383	-	3,383
- leases	65	-	65
- others	-	1,094	1,094
	<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>

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

	<b>Takaful Operator/Company</b>	
	<b>Number of shares</b>	<b>Share capital RM'000</b>
<u>Issued and fully paid up</u>		
At 1 January 2021	283,369,750	317,000
Issued during the financial year	60,000,000	60,000
At 31 December 2021	<u>343,369,750</u>	<u>377,000</u>
	<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	<u>283,369,750</u>	<u>317,000</u>

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

The Company is under the single-tier tax system wherein dividends paid are tax exempted in the hands of the shareholders. 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.

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

	<b>2021</b>	<b>2020</b>
	<b>General Takaful Fund/ Company RM'000</b>	<b>General Takaful Fund/ Company RM'000</b>
<b>(a) Gross earned contributions</b>		
- Takaful contracts (Note 12(ii))	689,511	636,842
- Change in gross contribution liabilities	(15,258)	(33,860)
	<u>674,253</u>	<u>602,982</u>
<b>(b) Contributions ceded to retakaful operators</b>		
- Takaful contracts (Note 12(ii))	(50,928)	(47,303)
- Change in retakaful contribution liabilities	1,386	67
	<u>(49,542)</u>	<u>(47,236)</u>
Net earned contributions	<u>624,711</u>	<u>555,746</u>

**21. INVESTMENT INCOME**

		<b>2021</b>
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>
<b>AFS financial assets</b>		<b>Company RM'000</b>
Hibah/profit income		
- Government Investment Issues	601	601
- Islamic debt securities, unquoted	12,410	31,526
Amortisation		
- Government Investment Issues	(178)	(178)
- Islamic debt securities, unquoted	(2,373)	(4,812)
	<u>10,460</u>	<u>27,137</u>
<b>Loans and receivables</b>		
Hibah/profit income		
- fixed deposits with licensed Islamic financial institutions	3,306	10,787
	<u>13,766</u>	<u>37,924</u>



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

	<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			
- Islamic debt securities, unquoted	10,803	18,854	29,657
Amortisation			
- Islamic debt securities, unquoted	(1,893)	(2,220)	(4,113)
	<u>8,910</u>	<u>16,634</u>	<u>25,544</u>
<b>Loans and receivables</b>			
Hibah/profit income			
- fixed deposits with licensed Islamic financial institutions	3,780	4,960	8,740
	<u>12,690</u>	<u>21,594</u>	<u>34,284</u>

**22. REALISED GAINS AND LOSSES**

	<b>2021</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			
- Islamic debt securities, unquoted	37	65	102
	<u>37</u>	<u>65</u>	<u>102</u>

**23. FEE AND COMMISSION**

	<b>2021 RM'000</b>	<b>2020 RM'000</b>
<b>(a) Fee and commission income</b>		
Retakaful commission income recognised in General Takaful Fund	<u>9,443</u>	<u>8,979</u>
<b>(b) Fee and commission expenses</b>		
Gross commission expenses recognised in Takaful Operator Fund	<u>(77,575)</u>	<u>(72,000)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****24. NET BENEFITS AND CLAIMS**

	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2021</u>		
(a) Gross benefits and claims paid	(223,917)	(223,917)
(b) Claims ceded to retakaful operators	12,898	12,898
(c) Gross change in contract liabilities	(182,370)	(204,284)
(d) Change in contract liabilities ceded to retakaful operators	(3,861)	(3,861)
	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<u>At 31 December 2020</u>		
(a) Gross benefits and claims paid	(262,090)	(262,090)
(b) Claims ceded to retakaful operators	17,447	17,447
(c) Gross change in contract liabilities	(88,769)	(107,779)
(d) Change in contract liabilities ceded to retakaful operators	(13,017)	(13,017)

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

	<b>2021</b>	<b>2020</b>
	<b>Takaful Operator/ Company RM'000</b>	<b>Takaful Operator/ Company RM'000</b>
Staff costs (including Chief Executive Officer and Executive Directors):		
- salaries and bonus	12,143	6,027
- defined contribution plans	2,451	1,178
- other employee benefits	142	2,501
	<u>14,736</u>	<u>9,706</u>
Directors' remuneration (Note 25(a))	502	637
Auditors' remuneration:		
- statutory audit and regulatory-related audit	210	243
- tax related services	-	14
Shariah committee remuneration (Note 25(b))	104	104
Other professional fees	302	219
Office rental	26	(260)
Depreciation of property and equipment (Note 4)	565	275
Amortisation of intangible assets (Note 6)	2,139	2,216
Depreciation of right-of-use assets (Note 5)	1,546	1,231
Training expenses	226	60
Repairs and maintenance expenses	170	138
Information technology expenses	9,941	5,561
Advertising, promotional and entertainment expenses	4,142	6,147
Printing and stationery expenses	2,089	5,536
Postage, courier and telephone charges	538	582
Motor vehicle expenses	426	402
Breakdown service assistance expenses	5,272	4,673
Outsourcing costs paid to related party	32,481	36,916
Other expenses	38,306	25,396
	<u>98,985</u>	<u>90,090</u>
Total management expenses	<u>113,721</u>	<u>99,796</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****25. MANAGEMENT EXPENSES (CONTINUED)**(a) Directors' and Chief Executive Officers' remuneration

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

	<b>Takaful Operator/Company</b>				
	<b>Fees</b>	<b>Salary</b>	<b>Bonus</b>	<b>Others</b>	<b>Benefits- in kind</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2021</b>					
Chief Executive Officer					
- Nazrul Hisham Bin Abdul Hamid	-	600	177	94	25
	-	600	177	94	25
Non-Executive Directors					
- Hasnah binti Omar	171	-	-	36	-
- Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	56	-	-	22	-
- Manogaran Sinnathamby	56	-	-	20	-
- Dr Mohd Nordin bin Mohd Zain	38	-	-	19	-
- Onn Kien Hoe	38	-	-	21	-
- Dr Md Khalil bin Ruslan	18	-	-	7	-
	377	-	-	125	-

Both Executive Directors of the Company, Matthew William Swinfen Cottral and Kevin John Wright remunerations are being paid by the Group during the financial year.

Datin Joan was newly appointed as an Independent Non-Executive Director of the Company on 1 March 2022. She has not received any remuneration during the financial year.

Registration No.

201701045981 (1260157-U)

## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 25. MANAGEMENT EXPENSES (CONTINUED)

(a) Directors' and Chief Executive Officers' remuneration (continued)

	Takaful Operator/Company				
	Fees	Salary	Bonus	Others	Benefits- in kind
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2020</b>					
Chief Executive Officer					
- Nazrul Hisham Bin Abdul Hamid	-	585	127	86	-
	-	585	127	86	-
Non-Executive Directors					
- Nabil Nazih El-Hage	172	-	-	-	-
- Onn Kien Hoe	90	-	-	28	-
- Dr Md Khalil bin Ruslan	90	-	-	28	-
- Dr Mohd Nordin bin Mohd Zain	90	-	-	24	-
- Hasnah binti Omar	90	-	-	25	-
	532	-	-	105	-

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****25. MANAGEMENT EXPENSES (CONTINUED)****(a) Directors' and Chief Executive Officer's remuneration (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>2021</b>	<b>2020</b>
Non-Executive Directors:		
RM100,000 or less	5	-
RM100,001 – RM300,000	1	5

**(b) Shariah Committee remuneration**

The Shariah Committee remuneration and other emoluments during current financial year are as follows:

	<b>2021</b>		
	<b>Takaful Operator/Company</b>		
	<b>Fees RM'000</b>	<b>Allowance RM'000</b>	<b>Total RM'000</b>
Shariah Committee Members			
- Dr Mohamed Fairouz Bin Abdul Khir	19	5	24
- Dr Zulkifli Bin Hasan	15	5	20
- Dr Wan Marhaini Binti Wan Ahmad	15	5	20
- Dr Zaharuddin Bin Abdul Rahman	8	2	10
- Prof Dr Zurina Binti Shafii	8	2	10
- Dr Md Khalil Bin Ruslan	7	3	10
- Dr Yusri Bin Mohamad	7	3	10
	<b>79</b>	<b>25</b>	<b>104</b>

	<b>2020</b>		
	<b>Takaful Operator/Company</b>		
	<b>Fees RM'000</b>	<b>Allowance RM'000</b>	<b>Total RM'000</b>
Shariah Committee Members			
- Dr Yusri Bin Mohamad	15	6	21
- Dr Md Khalil Bin Ruslan	15	6	21
- Dr Luqman Bin Haji Abdullah	11	4	15
- Dr Mohamad Abdul Hamid	11	4	15
- Dr Zulkifli Bin Hasan	15	5	20
- Dr Mohamed Fairouz Bin Abdul Khir	4	2	6
- Dr Wan Marhaini Binti Wan Ahmad	4	2	6
	<b>75</b>	<b>29</b>	<b>104</b>

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

	<b>2021</b>		
	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Current tax			
Current financial year	17,059	6,992	24,051
Under/(over) provision in prior year financial year	881	(589)	292
	<u>17,940</u>	<u>6,403</u>	<u>24,343</u>
Deferred tax			
Origination and reversal of temporary differences (Note 17)	(4,144)	(1,070)	(5,214)
Tax expense	<u>13,796</u>	<u>5,333</u>	<u>19,129</u>
	<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 in prior year financial year	(787)	302	(485)
	<u>14,383</u>	<u>6,028</u>	<u>20,411</u>
Deferred tax			
Origination and reversal of temporary differences (Note 17)	(3,214)	722	(2,492)
Tax expense	<u>11,169</u>	<u>6,750</u>	<u>17,919</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

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

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

	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b><u>2021</u></b>			
Profit before taxation	48,475	5,333	53,808
Taxation at Malaysian statutory tax rate of 24%	11,634	1,280	12,914
Expenses non-deductible for tax purposes	1,903	4,642	6,545
Previously unrecognised deductible temporary differences	(622)	-	(622)
Under/(over) provision of tax in prior financial year	881	(589)	292
Tax expense	<u>13,796</u>	<u>5,333</u>	<u>19,129</u>
<b><u>2020</u></b>			
Profit before taxation	46,872	6,750	53,622
Taxation at Malaysian statutory tax rate of 24%	11,249	1,620	12,869
Expenses non-deductible for tax purposes	1,104	4,828	5,932
Previously unrecognised deductible temporary differences	(397)	-	(397)
(Over)/under provision of tax in prior financial year	(787)	302	(485)
Tax expense	<u>11,169</u>	<u>6,750</u>	<u>17,919</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****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/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>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary equity holders	<u>33,430</u>	<u>34,495</u>
Weighted average number/number of ordinary shares	<u>334,000</u>	<u>283,370</u>
Basic earnings per share (sen)	<u>10.01</u>	<u>12.17</u>

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

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

	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial year</b>		33,430	34,495
<b>Adjustments for:</b>			
Depreciation of property and equipment	4	565	275
Amortisation of intangible assets	6	2,139	2,216
Depreciation of right-of-use assets	5	1,546	1,231
Effects of rent concession received	13	-	(13)
Loss on disposal of property and equipment		215	-
Allowance for/(writeback of) impairment loss on takaful receivables		1,609	(1,046)
Investment income	21	(37,924)	(34,284)
Realised gains	22	(102)	-
Tax expense	26	19,129	17,919
<b>Changes in working capital:</b>			
Decrease in retakaful assets		2,475	12,950
Increase in investments		(297,676)	(182,214)
(Increase)/decrease in takaful receivables		(10,326)	15,480
(Increase)/decrease in other receivables		(528)	741
Increase in takaful contract liabilities		207,542	131,639
Increase in other payables		22,007	15,769
Increase/(decrease) in takaful payables		1,089	(4,106)
Increase in expense liabilities		6,133	7,883
<b>Cash (utilised in)/generated from operating activities</b>		<b>(48,677)</b>	<b>18,935</b>

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**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 2021 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 subsidiaries 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:

	<b>2021</b>	<b>2020</b>
<b>Expense/(income)</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>General Takaful Fund/Company</u></b>		
<b><u>Trade</u></b>		
<b>Subsidiary of immediate holding company</b>		
Contribution, commission and claims on co-takaful and retakaful arrangement	855	(596)
<b><u>Takaful Operator/Company</u></b>		
<b><u>Non-trade</u></b>		
<b>Penultimate holding company</b>		
Reimbursement costs	238	-
<b>Subsidiary of immediate holding company</b>		
Outsourcing expenses	25,575	32,318
Reimbursement costs	6,681	4,488
<b>Subsidiary of penultimate holding company</b>		
Outsourcing expenses	6,906	4,598
Reimbursement costs	3,821	2,746

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**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>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b><u>2021</u></b>			
<b>Amount due from related companies:</b>			
Takaful receivables *	-	205	205
Other receivables ** (Note 10)	1,070	-	1,070
<b>Amount due to related companies:</b>			
Other payables ** (Note 15)	(4,373)	-	(4,373)
<b><u>2020</u></b>			
<b>Amount due from related companies:</b>			
Takaful receivables *	-	596	596
Other receivables ** (Note 10)	103	-	103
<b>Amount due to related companies:</b>			
Other payables ** (Note 15)	(5,709)	-	(5,709)

\* These balances are unsecured, interest-free and payable in accordance with the relevant takaful contracts.

\*\* Terms and conditions related to the above balances are disclosed in Notes 10 and 15.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)****(d) Key management personnel's remuneration**

The remuneration of the key management personnel including Executive Directors/CEO during the financial year are as follows:

	<u>2021</u>	<u>2020</u>
	<b>Takaful</b>	<b>Takaful</b>
	<b>Operator/</b>	<b>Operator/</b>
	<b>Company</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Salary	2,563	1,993
Bonus	664	401
Defined contribution plans	404	378
Other benefits	24	-
	<u>3,655</u>	<u>2,772</u>
Included in the total key management personnel is the Directors' emoluments/CEO's remuneration (Note 25(a))	<u>1,398</u>	<u>1,435</u>

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 including the Directors, Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Company.

The estimated cash value of benefits-in-kind provided to CEO of usage of the Company amounted to RM24,000 (2020: RM nil).

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

The Company adopts the three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirements 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 and Investment Committee ("ALMIC"), Human Resource Committee ("HRC"), Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), Risk and Control Committee ("RCC"), Occupational Safety and Health Committee ("OSHC") and the various Senior Management Committees for General Businesses. All these committees are chaired by the Chief Executive Officer or a member of the Senior Management team.

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

**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**

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**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 2021 and 31 December 2020.

The regulated capital of the Company as at 31 December 2021 comprised of Available Capital of RM507,682,000. (2020: RM421,231,000).

The capital structure of the Company as at 31 December 2021, as prescribed under the RBCT Framework, is shown below:

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier 1 Capital</u></b>		
Paid-up share capital	377,000	317,000
Reserves including retained earnings	173,945	130,601
	<u>550,945</u>	<u>447,601</u>
<b><u>Tier 2 Capital</u></b>		
Available-for-sale reserves	2,268	12,664
<b>Less:</b>		
<b><u>Deductions</u></b>		
Other intangible assets	(24,000)	(26,000)
Deferred tax assets	(21,531)	(13,034)
<b>Total Capital Available</b>	<u>507,682</u>	<u>421,231</u>

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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 classes 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.

Takaful risk is risk of loss or of adverse change arising from the underwritten takaful businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectations on which product, pricing, underwriting, claims, reserving and retakaful have been made.

The Company sets to manage its takaful risks by having a clearly defined framework as follows:

- Writing a balanced mix and spread of business, geographically and between classes of business;
- Underwriting strategies focused on profitable classes of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individuals' capacity in the underwriting process;
- Mitigating takaful risks through purchase of both proportional and non-proportional retakaful treaties;
- Regular monitoring of claims experience and comparing actual experience against that implied in pricing; and
- Actuarial models, using information from the management information systems, are used in calculating contributions and monitoring claims patterns. Historical experience and actuarial methods are used as part of the process.



**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

The table below sets out the concentration of the general takaful contracts' claim liabilities by class of business:

	<b>2021</b>		
	<b>General Takaful Fund/Company</b>		
	<b>Gross</b>	<b>Re-takaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fire	71,027	(33,065)	37,962
Motor	474,455	(9,075)	465,380
Marine, Aviation and Transit	6,660	(3,592)	3,068
Miscellaneous	123,479	(51,469)	72,010
At 31 December	<u>675,621</u>	<u>(97,201)</u>	<u>578,420</u>

	<b>2020</b>		
	<b>General Takaful Fund/Company</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>

**Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes 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 which may affect the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

The takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed on the total portfolio for movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claim liabilities, profit before tax and equity. The correlation among assumptions will have a significant effect in determining the ultimate claim 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. The impact from the opposite direction of the change in assumptions is expected to have the same opposite impact to gross and net claim liabilities, profit before tax and equity.

	<u>Change in assumptions</u>	<u>Impact on gross claim liabilities</u> RM'000	<u>Impact on net claim liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
		< -----Increase / (Decrease)----- >			
<u>31 December 2021</u>					
Average claim cost	+10%	57,497	48,371	(48,371)	(36,762)
Average number of claims	+10%	39,993	32,764	(32,764)	(24,901)
	<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
		< -----Increase / (Decrease)----- >			
<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)

\* Impact on equity is after adjustments for tax, where applicable.

**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**

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

Gross General Takaful Claim Liabilities for 2021:

	Prior to 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Accident Year:									
At end of the accident year		153,400	186,898	172,090	254,552	371,126	365,961	417,959	
One year later		140,108	167,895	163,196	257,548	372,466	356,916		
Two years later		137,760	159,460	160,558	251,849	373,585			
Three years later		140,401	162,319	156,532	249,602				
Four years later		139,991	157,256	155,594					
Five years later		139,347	159,276						
Six years later		137,985							
Current estimate of cumulative claims incurred		137,985	159,276	155,594	249,602	373,585	356,916	417,959	
At end of accident year		43,447	53,291	59,301	106,603	178,461	134,264	116,540	
One year later		90,643	115,463	113,620	187,064	263,564	194,810		
Two years later		106,009	130,448	131,411	213,548	294,658			
Three years later		125,668	135,805	136,840	219,583				
Four years later		130,885	137,570	143,733					
Five years later		132,105	138,583						
Six years later		132,368							
Cumulative payments to-date		132,368	138,583	143,733	219,583	294,658	194,810	116,540	
Direct and facultative inwards	22,641	5,617	20,693	11,861	30,019	78,927	162,106	301,419	633,283
									633,283
									42,338
									675,621

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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 32. TAKAFUL RISK (CONTINUED)

Gross General Takaful Claim Liabilities for 2020:

[illegible]

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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

Net General Takaful Claim Liabilities for 2021:

	Prior to 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Accident Year:									
At end of the accident year		60,770	75,207	91,768	231,143	350,374	349,737	402,490	
One year later		57,828	70,521	88,627	232,186	350,377	341,499		
Two years later		54,011	68,732	87,683	228,173	353,801			
Three years later		52,618	68,097	86,104	226,994				
Four years later		52,957	66,034	85,132					
Five years later		52,587	65,994						
Six years later		52,022							
Current estimate of cumulative claims incurred		52,022	65,994	85,132	226,994	353,801	341,499	402,490	
At end of accident year		19,313	27,600	31,247	99,480	175,488	133,765	115,277	
One year later		39,635	50,983	64,250	172,484	257,477	192,645		
Two years later		45,416	58,053	73,147	195,844	285,650			
Three years later		48,527	59,601	76,342	201,216				
Four years later		49,725	60,762	78,922					
Five years later		50,103	61,245						
Six years later		50,217							
Cumulative payments to-date		50,217	61,245	78,922	201,216	285,650	192,645	115,277	
Direct and facultative inwards	4,402	1,805	4,749	6,210	25,778	68,151	148,854	287,213	547,162
Best Estimate of Claim Liabilities									547,162
Fund PRAD at 75% Confidence Level									31,258
Net General Takaful Claim Liabilities									578,420

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

Net General Takaful Claim Liabilities for 2020:

	<b>Prior to 2014 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

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**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 significance 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.

**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. Examples of 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 views 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.

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

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

<b><u>Takaful Operator</u></b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b><u>31 December 2021</u></b>				
AFS financial assets:				
- Government Investment Issues	-	88,027	-	88,027
- Islamic debt securities, unquoted	-	295,046	-	295,046
	<u>-</u>	<u>383,073</u>	<u>-</u>	<u>383,073</u>

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b><u>31 December 2020</u></b>				
AFS financial assets:				
- Islamic debt securities, unquoted	-	281,784	-	281,784
	<u>-</u>	<u>281,784</u>	<u>-</u>	<u>281,784</u>

<b><u>General Takaful Fund</u></b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b><u>31 December 2021</u></b>				
AFS financial assets:				
- Islamic debt securities, unquoted	-	454,376	-	454,376
	<u>-</u>	<u>454,376</u>	<u>-</u>	<u>454,376</u>

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b><u>31 December 2020</u></b>				
AFS financial assets:				
- Islamic debt securities, unquoted	-	434,551	-	434,551
	<u>-</u>	<u>434,551</u>	<u>-</u>	<u>434,551</u>



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**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 which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy: (continued)

<b><u>Company</u></b>	<b><u>Level 1</u></b> <b><u>RM'000</u></b>	<b><u>Level 2</u></b> <b><u>RM'000</u></b>	<b><u>Level 3</u></b> <b><u>RM'000</u></b>	<b><u>Total</u></b> <b><u>RM'000</u></b>
<b><u>31 December 2021</u></b>				
AFS financial assets:				
- Government Investment Issues	-	88,027	-	88,027
- Islamic debt securities, unquoted	-	749,422	-	749,422
	<u>-</u>	<u>837,449</u>	<u>-</u>	<u>837,449</u>

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

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**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 arrangements and similar arrangements are as follows:

	<b>General Takaful Fund/Company</b>		
	<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 2021</u>			
Financial assets:			
Takaful receivables	54,457	(7,306)	47,151
Financial liabilities:			
Takaful payables	39,934	(7,306)	32,628

	<b>General Takaful Fund/Company</b>		
	<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

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 2021 and 2020.

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### **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 put 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 Company; and
- iii) Receivables within the business, where the Company is owed payment or services by a third party. Most typically this arises from a sale of takaful certificates.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A- or 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 also depends 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.

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**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>2021</b>		
	<b>Note</b>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Loans and receivables	7(a)	-	163,067	163,067
AFS financial assets:				
- Government Investment Issues	7(b)	88,027	-	88,027
- Islamic debt securities, unquoted	7(b)	295,046	454,376	749,422
Takaful receivables	8	-	47,151	47,151
Retakaful assets *		-	97,201	97,201
Other receivables #		32,496	378	2,093
Cash and cash equivalents		121,521	333,915	455,436
		<u>537,090</u>	<u>1,096,088</u>	<u>1,602,397</u>
		<b>2020</b>		
	<b>Note</b>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
Loans and receivables	7(a)	-	3,124	3,124
AFS financial assets:				
- Islamic debt securities, unquoted	7(b)	281,784	434,551	716,335
Takaful receivables	8	-	38,434	38,434
Retakaful assets *		-	101,062	101,062
Other receivables #		28,482	659	1,517
Cash and cash equivalents		122,931	305,446	428,377
		<u>433,197</u>	<u>883,276</u>	<u>1,288,849</u>

\* Excludes retakaful operators' share of contribution liabilities.

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.  
(2020: RM103,000)

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 35. FINANCIAL RISK (CONTINUED)

##### Credit Risk (continued)

##### Credit Exposure by Credit Rating

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			
	Government Guaranteed	(AAA to BBB)	(BB to C)			
<u>Takaful Operator</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2021</u>						
AFS financial assets:						
- Government Investment Issues	88,027	-	-	-	-	88,027
- Islamic debt securities, unquoted	8,423	286,623	-	-	-	295,046
Other receivables #	-	-	-	32,496	-	32,496
Cash and cash equivalents	-	121,521	-	-	-	121,521
	<u>96,450</u>	<u>408,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,090</u>

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.

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**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 (continued).

	Neither past-due nor impaired			Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade			
	Government Guaranteed	(AAA to BBB)	(BB to C)			
	RM'000	RM'000	RM'000			
General Takaful Fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021						
Loans and receivables	-	163,067	-	-	-	163,067
AFS financial assets:						
- Islamic debt securities, unquoted	56,577	397,799	-	-	-	454,376
Takaful receivables						
- Gross	-	2,798	-	39,781	4,572	55,722
- Allowance for impairment	-	-	-	-	(8,571)	(8,571)
Retakaful assets *	-	47,322	-	48,695	1,184	97,201
Other receivables	-	-	-	378	-	378
Cash and cash equivalents	-	333,915	-	-	-	333,915
	56,577	944,901	-	88,854	4,572	1,096,088

\* Excludes retakaful operators' share of contribution liabilities.

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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### 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 (continued).

Company	Neither past-due nor impaired			Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade			
	Government Guaranteed	(AAA to BBB)	(BB to C)			
	RM'000	RM'000	RM'000			
31 December 2021						
Loans and receivables	-	163,067	-	-	-	163,067
AFS financial assets:						
- Government Investment Issues	88,027	-	-	-	-	88,027
- Islamic debt securities, unquoted	65,000	684,422	-	-	-	749,422
Takaful receivables						
- Gross	-	2,798	-	39,781	4,572	55,722
- Allowance for impairment	-	-	-	-	(8,571)	(8,571)
Retakaful assets *	-	47,322	-	48,695	1,184	97,201
Other receivables #	-	-	-	2,093	-	2,093
Cash and cash equivalents	-	455,436	-	-	-	455,436
	153,027	1,353,045	-	90,569	4,572	1,602,397

\* Excludes retakaful operators' share of contribution liabilities.

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.

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## ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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### 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. (continued)

	Neither past-due nor impaired				Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade	Not rated			
	Government	(AAA to	(BB to C)				
	Guaranteed	BBB)					
<u>Takaful Operator</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2020</u>							
AFS financial assets:							
- Islamic debt securities, unquoted	-	281,784	-	-	-	-	281,784
Other receivables #	-	-	-	28,482	-	-	28,482
Cash and cash equivalents	-	122,931	-	-	-	-	122,931
	-	404,715	-	28,482	-	-	433,197

# Excludes prepayments of RM103,000 from Takaful Operator fund as at 31 December 2020.



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**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. (continued)

	Neither past-due nor impaired				Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade	Not rated			
	Government	(AAA to					
	Guaranteed	BBB)					
<u>General Takaful Fund</u>	RM'000	RM'000	(BB to C)	RM'000	RM'000	RM'000	RM'000
31 December 2020							
Loans and receivables	-	3,124	-	-	-	-	3,124
AFS financial assets:							
- Islamic debt securities, unquoted	66,770	367,781	-	-	-	-	434,551
Takaful receivables							
- Gross	-	3,451	-	28,094	6,889	6,962	45,396
- Allowance for impairment	-	-	-	-	-	(6,962)	(6,962)
Retakaful assets *	-	56,010	-	43,916	-	1,136	101,062
Other receivables	-	-	-	659	-	-	659
Cash and cash equivalents	-	305,446	-	-	-	-	305,446
	66,770	735,812	-	72,669	6,889	1,136	883,276

\* Excludes retakaful operators' share of contribution liabilities.

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**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. (continued)

Company	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				
31 December 2020							
Loans and receivables	-	3,124	-	-	-	-	3,124
AFS financial assets:							
- Islamic debt securities, unquoted	66,770	649,565	-	-	-	-	716,335
Takaful receivables							
- Gross	-	3,451	-	28,094	6,889	6,962	45,396
- Allowance for impairment	-	-	-	-	-	(6,962)	(6,962)
Retakaful assets *	-	56,010	-	43,916	-	1,136	101,062
Other receivables #	-	-	-	1,517	-	-	1,517
Cash and cash equivalents	-	428,377	-	-	-	-	428,377
	66,770	1,140,527	-	73,527	6,889	1,136	1,288,849

\* Excludes retakaful operators' share of contribution liabilities.

# Excludes prepayments of RM103,000 from Takaful Operator fund as at 31 December 2020.

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### 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.

<u>Takaful Operator</u>	<u>Government Guaranteed</u> RM'000	<u>AAA to AA</u> RM'000	<u>A1 to A3</u> RM'000	<u>BBB1 to BBB3</u> RM'000	<u>BB and below</u> RM'000	<u>Not rated</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
<u>31 December 2021</u>								
AFS financial assets:								
- Government Investment Issues	88,027	-	-	-	-	-	-	88,027
- Islamic debt securities, unquoted	8,423	272,861	13,762	-	-	-	-	295,046
Other receivables #	-	-	-	-	-	32,496	-	32,496
Cash and cash equivalents	-	121,521	-	-	-	-	-	121,521
	<u>96,450</u>	<u>394,382</u>	<u>13,762</u>	<u>-</u>	<u>-</u>	<u>32,496</u>	<u>-</u>	<u>537,090</u>

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.

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**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 (continued).

<u>General Takaful Fund</u>	<u>Government Guaranteed</u> RM'000	<u>AAA to AA</u> RM'000	<u>A1 to A3</u> RM'000	<u>BBB1 to BBB3</u> RM'000	<u>BB and below</u> RM'000	<u>Not rated</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
<u>31 December 2021</u>								
Loans and receivables	-	142,876	20,191	-	-	-	-	163,067
AFS financial assets:								
- Islamic debt securities, unquoted	56,577	379,542	18,257	-	-	-	-	454,376
Takaful receivables								
- Gross	-	7,370	-	-	-	39,781	8,571	55,722
- Allowance for impairment	-	-	-	-	-	-	(8,571)	(8,571)
Retakaful assets *	-	19,411	17,743	10,168	-	48,695	1,184	97,201
Other receivables	-	-	-	-	-	378	-	378
Cash and cash equivalents	-	272,839	61,076	-	-	-	-	333,915
	<u>56,577</u>	<u>822,038</u>	<u>117,267</u>	<u>10,168</u>	<u>-</u>	<u>88,854</u>	<u>1,184</u>	<u>1,096,088</u>

\* Excludes retakaful operators' share of contribution liabilities.

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. (continued)

<u>Company</u>	<u>Government Guaranteed</u> RM'000	<u>AAA to AA</u> RM'000	<u>A1 to A3</u> RM'000	<u>BBB1 to BBB3</u> RM'000	<u>BB and below</u> RM'000	<u>Not rated</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
<u>31 December 2021</u>								
Loans and receivables	-	142,876	20,191	-	-	-	-	163,067
AFS financial assets:								
- Government Investment Issues	88,027	-	-	-	-	-	-	88,027
- Islamic debt securities, unquoted	65,000	652,403	32,019	-	-	-	-	749,422
Takaful receivables								
- Gross	-	7,370	-	-	-	39,781	8,571	55,722
- Allowance for impairment	-	-	-	-	-	-	(8,571)	(8,571)
Retakaful assets *	-	19,411	17,743	10,168	-	48,695	1,184	97,201
Other receivables #	-	-	-	-	-	2,093	-	2,093
Cash and cash equivalents	-	394,360	61,076	-	-	-	-	455,436
	<u>153,027</u>	<u>1,216,420</u>	<u>131,029</u>	<u>10,168</u>	<u>-</u>	<u>90,569</u>	<u>1,184</u>	<u>1,602,397</u>

\* Excludes retakaful operators' share of contribution liabilities.

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.

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### 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. (continued)

<u>Takaful Operator</u>	<u>Government Guaranteed</u> RM'000	<u>AAA to AA</u> RM'000	<u>A1 to A3</u> RM'000	<u>BBB1 to BBB3</u> RM'000	<u>BB and below</u> RM'000	<u>Not rated</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
<u>31 December 2020</u>								
AFS financial assets:								
- Islamic debt securities, unquoted	-	278,669	3,115	-	-	-	-	281,784
Other receivables #	-	-	-	-	-	28,482	-	28,482
Cash and cash equivalents	-	102,825	20,106	-	-	-	-	122,931
	-	381,494	23,221	-	-	28,482	-	433,197

# Excludes prepayments of RM103,000 from Takaful Operator fund as at 31 December 2020.

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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. (continued)

<b><u>General Takaful Fund</u></b>	<b><u>Government Guaranteed</u></b>	<b><u>AAA to AA</u></b>	<b><u>A1 to A3</u></b>	<b><u>BBB1 to BBB3</u></b>	<b><u>BB and below</u></b>	<b><u>Not rated</u></b>	<b><u>Impaired</u></b>	<b><u>Total</u></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>
<b><u>31 December 2020</u></b>								
Loans and receivables	-	3,124	-	-	-	-	-	3,124
AFS financial assets:								
- Islamic debt securities, unquoted	66,770	356,322	11,459	-	-	-	-	434,551
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	-	43,916	1,136	101,062
Other receivables	-	-	-	-	-	659	-	659
Cash and cash equivalents	-	280,170	25,276	-	-	-	-	305,446
	<b>66,770</b>	<b>672,999</b>	<b>57,053</b>	<b>12,649</b>	<b>-</b>	<b>72,669</b>	<b>1,136</b>	<b>883,276</b>

\* Excludes retakaful operators' share of contribution liabilities.

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. (continued)

<u>Company</u>	<u>Government Guaranteed</u> RM'000	<u>AAA to AA</u> RM'000	<u>A1 to A3</u> RM'000	<u>BBB1 to BBB3</u> RM'000	<u>BB and below</u> RM'000	<u>Not rated</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
<u>31 December 2020</u>								
Loans and receivables	-	3,124	-	-	-	-	-	3,124
AFS financial assets:								
- Islamic debt securities, unquoted	66,770	634,991	14,574	-	-	-	-	716,335
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	-	43,916	1,136	101,062
Other receivables #	-	-	-	-	-	1,517	-	1,517
Cash and cash equivalents	-	382,995	45,382	-	-	-	-	428,377
	<u>66,770</u>	<u>1,054,493</u>	<u>80,274</u>	<u>12,649</u>	<u>-</u>	<u>73,527</u>	<u>1,136</u>	<u>1,288,849</u>

\* Excludes retakaful operators' share of contribution liabilities.

# Excludes prepayments of RM103,000 from Takaful Operator fund as at 31 December 2020.

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.



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**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>General Takaful Fund/Company</b>				<b>Total</b>
	<b>Up to 3 months</b>	<b>3 months to 6 months</b>	<b>7 months to 12 months</b>	<b>&gt; 12 months</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2021</u>					
Takaful receivables	-	3,290	1,205	77	4,572
<u>31 December 2020</u>					
Takaful receivables	-	6,712	79	98	6,889

**Impaired Financial Assets**

At 31 December 2021, based on a combination of collective and individual assessment of receivables, there are impaired takaful receivables of RM8,571,000 (2020: RM6,962,000). For assets to be classified as "past-due and impaired", indicators of objective evidence of impairment are contractual payments 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 a separate "allowance for impairment" account.

A reconciliation of the allowance for impairment loss of takaful receivables is as follows:

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,962	8,008
Allowance for/(write-back of) the financial year	1,609	(1,046)
At 31 December	8,571	6,962

No collateral is held as security for any past due or impaired assets.

## **ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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### **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 catastrophe excess-of-loss retakaful contract contains clauses permitting the Company to make cash call claims and receive immediate payment for large losses should claims events exceed a certain amount.

For takaful contract liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised contribution liabilities.

Contribution liabilities, the retakaful's share of contribution liabilities and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligation to make or receive payments on those liabilities.

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**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>
<b><u>Takaful Operator</u></b>							
<b><u>31 December 2021</u></b>							
Financial assets:							
AFS financial assets	383,073	85,324	189,697	112,126	32,950	-	420,097
Other receivables #	32,496	32,496	-	-	-	-	32,496
Cash and cash equivalents	121,521	121,521	-	-	-	-	121,521
	<u>537,090</u>	<u>239,341</u>	<u>189,697</u>	<u>112,126</u>	<u>32,950</u>	<u>-</u>	<u>574,114</u>
Financial liabilities:							
Lease liabilities	2,341	2,098	285	-	-	-	2,383
Other payables	46,621	46,621	-	-	-	-	46,621
	<u>48,962</u>	<u>48,719</u>	<u>285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,004</u>

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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. (continued)

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. (continued)

	<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>General Takaful Fund</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>31 December 2021</b>							
Financial assets:							
Loans and receivables	163,067	163,067	-	-	-	-	163,067
AFS financial assets	454,376	117,597	197,527	131,524	51,408	-	498,056
Retakaful assets *	97,201	62,210	29,041	5,803	147	-	97,201
Takaful receivables	47,151	47,151	-	-	-	-	47,151
Other receivables	378	378	-	-	-	-	378
Cash and cash equivalents	333,915	333,915	-	-	-	-	333,915
	<u>1,096,088</u>	<u>724,318</u>	<u>226,568</u>	<u>137,327</u>	<u>51,555</u>	<u>-</u>	<u>1,139,768</u>
Financial liabilities:							
Takaful contract liabilities **	675,621	408,869	231,437	34,163	1,152	-	675,621
Other payables	83,504	83,504	-	-	-	-	83,504
Takaful payables	32,628	32,628	-	-	-	-	32,628
	<u>791,753</u>	<u>525,001</u>	<u>231,437</u>	<u>34,163</u>	<u>1,152</u>	<u>-</u>	<u>791,753</u>

\* Excludes retakaful operators' share of contribution liabilities.

\*\* Excludes unearned contribution reserves, AFS reserve and unallocated surplus.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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. (continued)

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. (continued)

<b>Company</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 – 3 years RM'000</b>	<b>3 – 5 years RM'000</b>	<b>5 - 15 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<u>31 December 2021</u>							
Financial assets:							
Loans and receivables	163,067	163,067	-	-	-	-	163,067
AFS financial assets	837,449	202,921	387,224	243,650	84,358	-	918,153
Retakaful assets *	97,201	62,210	29,041	5,803	147	-	97,201
Takaful receivables	47,151	47,151	-	-	-	-	47,151
Other receivables #	2,093	2,093	-	-	-	-	2,093
Cash and cash equivalents	455,436	455,436	-	-	-	-	455,436
	<u>1,602,397</u>	<u>932,878</u>	<u>416,265</u>	<u>249,453</u>	<u>84,505</u>	<u>-</u>	<u>1,683,101</u>
Financial liabilities:							
Takaful contract liabilities **	675,621	408,869	231,437	34,163	1,152	-	675,621
Lease liabilities	2,341	2,098	285	-	-	-	2,383
Other payables	99,344	99,344	-	-	-	-	99,344
Takaful payables	32,628	32,628	-	-	-	-	32,628
	<u>809,934</u>	<u>542,939</u>	<u>231,722</u>	<u>34,163</u>	<u>1,152</u>	<u>-</u>	<u>809,976</u>

\* Excludes retakaful operators' share of contribution liabilities.

\*\* Excludes unearned contribution reserves, AFS reserve and unallocated surplus.

# Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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. (continued)

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. (continued)

	<u>Carrying value</u>	<u>Up to a year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>5 - 15 years</u>	<u>No maturity date</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Takaful Operator</u></b>							
<b><u>31 December 2020</u></b>							
Financial assets:							
AFS financial assets	281,784	47,790	120,650	100,205	39,752	-	308,397
Other receivables #	28,482	28,482	-	-	-	-	28,482
Cash and cash equivalents	122,931	122,931	-	-	-	-	122,931
	<u>433,197</u>	<u>199,203</u>	<u>120,650</u>	<u>100,205</u>	<u>39,752</u>	<u>-</u>	<u>459,810</u>
Financial liabilities:							
Lease liabilities	2,875	1,437	1,544	-	-	-	2,981
Other payables	32,870	32,870	-	-	-	-	32,870
	<u>35,745</u>	<u>34,307</u>	<u>1,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,851</u>

# Excludes prepayments of RM103,000 from Takaful Operator fund as at 31 December 2020.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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. (continued)

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. (continued)

	<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>General Takaful Fund</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>31 December 2020</b>							
Financial assets:							
Loans and receivables	3,124	3,124	-	-	-	-	3,124
AFS financial assets	434,551	78,705	214,355	122,258	56,012	-	471,330
Retakaful assets *	101,062	70,880	26,123	3,866	193	-	101,062
Takaful receivables	38,434	38,434	-	-	-	-	38,434
Other receivables	659	659	-	-	-	-	659
Cash and cash equivalents	305,446	305,446	-	-	-	-	305,446
	<u>883,276</u>	<u>497,248</u>	<u>240,478</u>	<u>126,124</u>	<u>56,205</u>	<u>-</u>	<u>920,055</u>
Financial liabilities:							
Takaful contract liabilities **	493,251	329,279	150,168	12,687	1,117	-	493,251
Other payables	72,091	72,091	-	-	-	-	72,091
Takaful payables	31,539	31,539	-	-	-	-	31,539
	<u>596,881</u>	<u>432,909</u>	<u>150,168</u>	<u>12,687</u>	<u>1,117</u>	<u>-</u>	<u>596,881</u>

\* Excludes retakaful operators' share of contribution liabilities.

\*\* Excludes unearned contribution reserves, AFS reserve and unallocated surplus.

**ZURICH GENERAL TAKAFUL MALAYSIA BERHAD**

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**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. (continued)

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. (continued)

<b>Company</b>	<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>
<b>31 December 2020</b>							
Financial assets:							
Loans and receivables	3,124	3,124	-	-	-	-	3,124
AFS financial assets	716,335	126,495	335,005	222,463	95,764	-	779,727
Retakaful assets *	101,062	70,880	26,123	3,866	193	-	101,062
Takaful receivables	38,434	38,434	-	-	-	-	38,434
Other receivables #	1,517	1,517	-	-	-	-	1,517
Cash and cash equivalents	428,377	428,377	-	-	-	-	428,377
	<u>1,288,849</u>	<u>668,827</u>	<u>361,128</u>	<u>226,329</u>	<u>95,957</u>	<u>-</u>	<u>1,352,241</u>
Financial liabilities:							
Takaful contract liabilities **	493,251	329,279	150,168	12,687	1,117	-	493,251
Lease liabilities	2,875	1,437	1,544	-	-	-	2,981
Other payables	77,337	77,337	-	-	-	-	77,337
Takaful payables	31,539	31,539	-	-	-	-	31,539
	<u>605,002</u>	<u>439,592</u>	<u>151,712</u>	<u>12,687</u>	<u>1,117</u>	<u>-</u>	<u>605,108</u>

\* Excludes retakaful operators' share of contribution liabilities.

\*\* Excludes unearned contribution reserves, AFS reserve and unallocated surplus.

# Excludes prepayments of RM103,000 from Takaful Operator fund as at 31 December 2020.



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**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>2021</b>			<b>2020</b>		
<u>31 December</u>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>	<b>Takaful Operator RM'000</b>	<b>General Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b><u>Non-current assets</u></b>						
Property and equipment	2,533	-	2,533	1,039	-	1,039
Right-of-use assets	1,891	-	1,891	2,684	-	2,684
Intangible assets	24,394	-	24,394	26,184	-	26,184
AFS financial assets	311,621	353,203	664,824	241,920	367,332	609,252
	<u>340,439</u>	<u>353,203</u>	<u>693,642</u>	<u>271,827</u>	<u>367,332</u>	<u>639,159</u>
<b><u>Current assets*</u></b>						
Loans and receivables	-	163,067	163,067	-	3,124	3,124
AFS financial assets	71,452	101,173	172,625	39,864	67,219	107,083
Retakaful assets	-	111,885	111,885	-	114,360	114,360
Takaful receivables	-	47,151	47,151	-	38,434	38,434
Other receivables **	32,496	378	2,148	28,482	659	1,620
Current tax assets	-	-	-	-	1,833	1,833
Deferred tax assets	17,716	3,815	21,531	12,306	728	13,034
Cash and cash equivalents	121,521	333,915	455,436	122,931	305,446	428,377
	<u>243,185</u>	<u>761,384</u>	<u>973,843</u>	<u>203,583</u>	<u>531,803</u>	<u>707,865</u>
	<u>583,624</u>	<u>1,114,587</u>	<u>1,667,485</u>	<u>475,410</u>	<u>899,135</u>	<u>1,347,024</u>

\* Expected recovery or settlement within 12 months from the date of the statement of financial position.

\*\* Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021. (2020: RM103,000)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Market Risk**

Market risk is the risk of financial loss in the fair values of the Company's investments 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 structures 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 fair value of the Company's investments and reinvestment issues to the Company. The ALMIC actively monitors such developments and discussed 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 due to changes in the fair value of AFS financial assets. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

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 2021, holding other variables constant.

		2021		
		Impact on profit before tax	Impact on equity*	Impact on takaful contract liabilities*
		RM'000	RM'000	RM'000
<u>Changes in variables</u>				
<u>Takaful Operator</u>				
RM	+50 basis points	-	(8,573)	-
RM	-50 basis points	-	8,947	-
<u>General Takaful Fund</u>				
RM	+50 basis points	-	-	(9,748)
RM	-50 basis points	-	-	9,386
<u>Company</u>				
RM	+50 basis points	-	(8,573)	(9,748)
RM	-50 basis points	-	8,947	9,386

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. FINANCIAL RISK (CONTINUED)****Profit Rates/Profit Yield Risks (continued)**

		2020		
		Impact on profit before tax	Impact on equity*	Impact on takaful contract liabilities*
		RM'000	RM'000	RM'000
<u>Changes in variables</u>				
<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
<u>Company</u>				
RM	+50 basis points	-	(3,457)	(4,903)
RM	-50 basis points	-	3,622	5,158

\* Impact on equity/takaful contract liabilities reflects adjustments for tax, where applicable.

**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 to 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 and 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 prescribed by regulators, i.e., 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****38. ADDITIONAL DISCLOSURES 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.

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”):

	<b>Fair value at 31 December</b>	<b>Change in fair value</b>	<b>Results of the cash flows characteristics</b>
<b><u>Takaful Operator</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	
<b><u>31 December 2021</u></b>			
AFS financial assets:			
Government Investment Issues	88,027	-	SPPI
Islamic debt securities, unquoted	295,046	(5,276)	SPPI
Other receivables *	32,496	-	SPPI
Cash and cash equivalents	121,521	-	SPPI
	<u>537,090</u>	<u>(5,276)</u>	
<b><u>31 December 2020</u></b>			
AFS financial assets:			
Islamic debt securities, unquoted	281,784	3,864	SPPI
Other receivables *	28,482	-	SPPI
Cash and cash equivalents	122,931	-	SPPI
	<u>433,197</u>	<u>3,864</u>	

\* Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021 (2020: RM103,000)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****38. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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") (continued):

<b>General Takaful Fund</b>	<b>Fair value at 31 December RM'000</b>	<b>Change in fair value RM'000</b>	<b>Results of the cash flows characteristics</b>
<u>31 December 2021</u>			
Loans and receivables	163,067	-	SPPI
AFS financial assets:			
Islamic debt securities, unquoted	454,376	(8,403)	SPPI
Other receivables	378	-	SPPI
Cash and cash equivalents	333,915	-	SPPI
	<u>951,736</u>	<u>(8,403)</u>	
<u>31 December 2020</u>			
Loans and receivables	3,124	-	SPPI
AFS financial assets:			
Islamic debt securities, unquoted	434,551	5,645	SPPI
Other receivables	659	-	SPPI
Cash and cash equivalents	305,446	-	SPPI
	<u>743,780</u>	<u>5,645</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****38. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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") (continued):

<b>Company</b>	<b>Fair value at 31 December RM'000</b>	<b>Change in fair value RM'000</b>	<b>Results of the cash flows characteristics</b>
<u>31 December 2021</u>			
Loans and receivables	163,067	-	SPPI
AFS financial assets:			
Government Investment Issues	88,027	-	SPPI
Islamic debt securities, unquoted	749,422	(13,679)	SPPI
Other receivables *	2,093	-	SPPI
Cash and cash equivalents	455,436	-	SPPI
	<u>1,458,045</u>	<u>(13,679)</u>	
<u>31 December 2020</u>			
Loans and receivables	3,124	-	SPPI
AFS financial assets:			
Islamic debt securities, unquoted	716,335	9,509	SPPI
Other receivables *	1,517	-	SPPI
Cash and cash equivalents	428,377	-	SPPI
	<u>1,149,353</u>	<u>9,509</u>	

\* Excludes prepayments of RM55,000 from Takaful Operator fund as at 31 December 2021 (2020: RM103,000)

Takaful receivables and retakaful assets have been excluded from the above assessment as they will be under the scope of MFRS 17 *Insurance Contracts*.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****39. COMPARATIVE FIGURES**

Certain comparative figures of Takaful Operator fund, General Takaful fund and the Company have been reclassified to conform with the current year presentation. For information and comparison purposes, the effects of the reclassifications in the Takaful Operator fund, General Takaful fund and the Company Statement of Profit or Loss are presented as follows:

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

	Previously stated			Reclassification			Restated		
	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Surplus sharing from general takaful fund	10,000	-	-	(10,000)	-	-	-	-	-
Gross change to contract liabilities	-	(97,779)	(97,779)	-	9,010	(10,000)	-	(88,769)	(107,779)
Surplus declared and payable to participants		(10,000)	(10,000)	-	-	10,000	-	(10,000)	-
Surplus declared and payable to Takaful Operator		(10,000)	-	10,000	-	-	10,000	(10,000)	-
Surplus transferred to unallocated surplus		-		-	(9,010)	-	-	(9,010)	-

**Zurich General Takaful Malaysia Berhad**

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