

# **UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

For The Half-Year Ended 30 June 2018

Company No.

1249516	V
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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (1249516-V)  
(Incorporated in Malaysia)

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (1249516-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

		Group		Company	
	Note	30.06.2018	31.12.2017	30.06.2018	31.12.2017
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment		5,150	5,564	5,150	5,564
Intangible assets		1,841	2,542	1,841	2,542
Investment properties		11,960	11,960	11,960	11,960
Investments	12	1,039,198	786,050	1,054,589	804,600
Available-for-sale financial assets		1,038,919	785,738	1,054,310	804,288
Loans and receivables		279	312	279	312
Reinsurance assets	14	188,887	201,043	188,887	201,043
Insurance receivables		50,110	69,790	50,110	69,790
Other receivables		67,900	61,290	67,798	61,200
Tax recoverable		5,714	1,202	5,714	1,202
Deferred tax assets		6	-	6	-
Cash and cash equivalents		75,895	156,651	60,458	137,904
<b>Total assets</b>		<b>1,446,661</b>	<b>1,296,092</b>	<b>1,446,513</b>	<b>1,295,805</b>
EQUITY, GENERAL FUNDS AND LIABILITIES					
Share capital		100,000	100,000	100,000	100,000
Retained earnings		29,790	61	16,195	61
Capital contribution reserves		224,792	118,492	224,792	118,492
Available-for-sale reserves		(2,716)	9,646	8,456	9,646
<b>Total equity</b>		<b>351,866</b>	<b>228,199</b>	<b>349,443</b>	<b>228,199</b>
Insurance contract liabilities	15	874,344	842,033	874,344	842,033
Deferred tax liabilities		985	4,087	3,497	4,087
Other liabilities		90,036	97,277	89,802	96,990
Insurance payables		126,505	124,120	126,505	124,120
Current tax liabilities		2,922	376	2,922	376
Other financial liabilities		3	-	-	-
<b>Total liabilities</b>		<b>1,094,795</b>	<b>1,067,893</b>	<b>1,097,070</b>	<b>1,067,606</b>
<b>Total equity and liabilities</b>		<b>1,446,661</b>	<b>1,296,092</b>	<b>1,446,513</b>	<b>1,295,805</b>

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (1249516-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2017 RM'000</b>	<b>6 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2017 RM'000</b>
Gross earned premiums	336,630	319,606	336,630	319,606
Premiums ceded to reinsurers	(62,470)	(55,162)	(62,470)	(55,162)
<b>Net earned premiums</b>	<b>274,160</b>	<b>264,444</b>	<b>274,160</b>	<b>264,444</b>
Investment income	29,294	10,722	13,729	10,722
Realised gains and losses	(587)	519	(396)	519
Fair value gains and losses	-	(970)	-	(970)
Fee and commission income	7,828	6,412	7,828	6,412
<b>Other revenue</b>	<b>36,535</b>	<b>16,683</b>	<b>21,161</b>	<b>16,683</b>
<b>Total revenue</b>	<b>310,695</b>	<b>281,127</b>	<b>295,321</b>	<b>281,127</b>
Gross benefits and claims paid	(147,543)	(146,215)	(147,543)	(146,215)
Claims ceded to reinsurers	20,481	13,785	20,481	13,785
Gross change to contract liabilities	(24,886)	(7,601)	(24,886)	(7,601)
Change in contract liabilities ceded to reinsurers	(2,879)	10,031	(2,879)	10,031
<b>Net claims</b>	<b>(154,827)</b>	<b>(130,000)</b>	<b>(154,827)</b>	<b>(130,000)</b>
Fee and commission expenses	(38,478)	(34,808)	(38,478)	(34,808)
Management expenses	(84,444)	(76,081)	(84,444)	(76,081)
Other operating expenses - net	124	1,101	1,902	1,101
<b>Other expenses</b>	<b>(122,798)</b>	<b>(109,788)</b>	<b>(121,020)</b>	<b>(109,788)</b>
Profit before taxation	33,070	41,339	19,474	41,339
Taxation	(3,340)	(10,565)	(3,340)	(10,565)
<b>Net profit for the financial period</b>	<b>29,730</b>	<b>30,774</b>	<b>16,134</b>	<b>30,774</b>
Attributable to:				
- Owner of the Company	29,729	30,774	16,134	30,774
- Unitholders	1	-	-	-
	<b>29,730</b>	<b>30,774</b>	<b>16,134</b>	<b>30,774</b>
<b>Basic/diluted earnings per share (sen)</b>	<b>29.73</b>	<b>N/A</b>	<b>16.13</b>	<b>N/A</b>

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

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# **ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (1249516-V)

(Incorporated in Malaysia)

## **UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2017 RM'000</b>	<b>6 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2017 RM'000</b>
<b>Net profit for the financial period</b>	29,730	30,774	16,134	30,774
<b>Other comprehensive (loss)/income:</b>				
Item that may be subsequently reclassified to profit or loss				
Fair value change on available-for-sale financial assets, net of deferred tax:				
- Gross fair value change arising during the financial period	(15,837)	13,690	(1,962)	13,690
- Gross fair value transferred to statement of profit or loss	587	(519)	396	(519)
- Deferred tax	2,888	(3,161)	376	(3,161)
Other comprehensive (loss)/income for the financial period, net of tax	<u>(12,362)</u>	<u>10,010</u>	<u>(1,190)</u>	<u>10,010</u>
<b>Total comprehensive income for the financial period</b>	<u>17,368</u>	<u>40,784</u>	<u>14,944</u>	<u>40,784</u>
Attributable to:				
- Owner of the Company	17,367	40,784	14,944	40,784
- Unitholders	1	-	-	-
	<u>17,368</u>	<u>40,784</u>	<u>14,944</u>	<u>40,784</u>

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

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# **ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (1249516-V)

(Incorporated in Malaysia)

## **UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	Issued and fully paid ordinary shares		Non-distributable		Distributable	Total
	Numbers of shares	Share capital	Capital contribution reserve*	Available- for-sale fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
1 January 2018	100,000	100,000	118,492	9,646	61	228,199
Increase in capital contribution reserve	-	-	106,300	-	-	106,300
Net profit for the financial period	-	-	-	-	29,729	29,729
Other comprehensive loss for the financial period	-	-	-	(12,362)	-	(12,362)
At 30 June 2018	100,000	100,000	224,792	(2,716)	29,790	351,866
At 1 January 2017	-	-	65,600	1,385	-	66,985
Net profit for the financial period	-	-	-	-	30,774	30,774
Transfer from/(to) capital contribution reserve	-	-	30,774	-	(30,774)	-
Other comprehensive income for the financial period	-	-	-	10,010	-	10,010
At 30 June 2017	-	-	96,374	11,395	-	107,769

\*The excess of the cost of acquisition of the general insurance business over the aggregate carrying amounts of the assets and liabilities was recognised in equity as capital contribution reserve. Please refer to Note 2.1(a) for the explanation.

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

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# **ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (1249516-V)

(Incorporated in Malaysia)

## **UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

	Issued and fully paid ordinary shares		Non-distributable		Distributable	Total
	Numbers of shares	Share capital	Capital contribution reserve*	Available- for-sale fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Company</b>						
1 January 2018	100,000	100,000	118,492	9,646	61	228,199
Increase in capital contribution reserve	-	-	106,300	-	-	106,300
Net profit for the financial period	-	-	-	-	16,134	16,134
Other comprehensive loss for the financial period	-	-	-	(1,190)	-	(1,190)
At 30 June 2018	100,000	100,000	224,792	8,456	16,195	349,443
At 1 January 2017	-	-	65,600	1,385	-	66,985
Net profit for the financial period	-	-	-	-	30,774	30,774
Transfer from/(to) capital contribution reserve	-	-	30,774	-	(30,774)	-
Other comprehensive income for the financial period	-	-	-	10,010	-	10,010
At 30 June 2017	-	-	96,374	11,395	-	107,769

\*The excess of the cost of acquisition of the general insurance business over the aggregate carrying amounts of the assets and liabilities was recognised in equity as capital contribution reserve. Please refer to Note 2.1(a) for the explanation.

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## ZURICH GENERAL INSURANCE MALAYSIA BERHAD (1249516-V)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2017 RM'000</b>	<b>6 months ended 30.06.2018 RM'000</b>	<b>6 months ended 30.06.2017 RM'000</b>
<b>OPERATING ACTIVITIES</b>				
Cash utilised in operating activities	(105,783)	(419)	(88,788)	(419)
Dividend/distribution income received	1,028	1,002	11,043	1,002
Interest/profit income received	27,785	10,248	4,085	10,248
Rental income on investment properties received	(99)	(78)	(99)	(78)
Income tax paid	(5,526)	(8,516)	(5,526)	(8,516)
Net cash (outflows)/inflows from operating activities	(82,595)	2,237	(79,285)	2,237
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(242)	(1,086)	(242)	(1,086)
Net cash outflows from investing activities	(242)	(1,086)	(242)	(1,086)
<b>FINANCING ACTIVITIES</b>				
Increase in capital contribution reserve	2,081	-	2,081	-
Net cash inflows from financing activities	2,081	-	2,081	-
Net (decrease)/increase in cash and cash equivalents	(80,756)	1,151	(77,446)	1,151
Cash and cash equivalents at the beginning of the financial period	156,651	23,524	137,904	23,524
<b>Cash and cash equivalents at the end of the financial period</b>	<b>75,895</b>	<b>24,675</b>	<b>60,458</b>	<b>24,675</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	75,895	24,675	60,458	24,675

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



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## **ZURICH GENERAL INSURANCE MALAYSIA BERHAD (1249516-V)**

(Incorporated in Malaysia)

### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Company is an unquoted public limited liabilities company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

##### Registered office

9<sup>th</sup> Floor, Menara Zurich  
12, Jalan Dewan Bahasa  
50460 Kuala Lumpur

##### Principal place of business

11<sup>th</sup> Floor, Menara Zurich  
12, Jalan Dewan Bahasa  
50460 Kuala Lumpur

The Company was incorporated under Companies Act, 2016 on 3 October 2017 and commenced its principal activity of underwriting of general insurance business on 1 January 2018 following the transfer of the general insurance business from Zurich Life Insurance Malaysia Berhad (formerly known as Zurich Insurance Malaysia Berhad), to the Company pursuant to a Scheme Business Transfer approved and confirmed by the High Court of Malaya in accordance with Financial Services Act 2013 ("FSA") on 5 December 2017. There has been no change in the principal activity of the Company during the financial period.

The holding company is Zurich Holdings Malaysia Berhad (formerly known as Zurich Holdings Malaysia Sdn Bhd), a company incorporated and domiciled in Malaysia.

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

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

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

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

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

The preparation of the unaudited condensed interim 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 unaudited condensed interim 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 Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**2.1 Basis of preparation (continued)**

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

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

**(a) Capital reorganisation**

Where a newly incorporated entity which does not meet the definition of a business is set up to effect a transfer of business from another entity under common control, such acquisition does not meet the definition of a business combination in accordance with MFRS 3. Accordingly, the Business Transfer as disclosed in Notes 1 and 3 to the unaudited condensed interim financial statement is accounted as a capital reorganisation.

The transfer of the general insurance business from Zurich Life Insurance Malaysia Berhad to the Company that is ultimately controlled by the same party has no economic substance. Therefore, the transfer is accounted for as a capital reorganisation in the financial statements of the Company. The assets and liabilities of the general insurance business are incorporated at their pre-combination carrying amounts without any fair value uplift. The Company's consolidated financial statements include the general business's full interim period (including comparatives).

The excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities is taken to equity as capital contribution reserve.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of preparation (continued)****(b) Standards, amendments to published standards and interpretations**

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

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Group and the Company's financial period beginning on 1 January 2018 are as follows:

- Amendments to MFRS 140 "Classification on "Change in Use" – Assets transferred to, or from, Investment Properties" clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the "date of the transaction" to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine "the date of transaction" when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of preparation (continued)****(b) Standards, amendments to published standards and interpretations (continued)**

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

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- for financial liabilities classified as fair value through profit or loss (“FVTPL”), the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss; and
- when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of preparation (continued)****(b) Standards, amendments to published standards and interpretations (continued)**

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

- Amendments to MFRS 4 - Applying MFRS 9 “Financial Instruments” with MFRS 4 “Insurance Contracts”.

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 “Financial Instruments” 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 “Insurance Contracts”, the related liabilities from insurance contracts are often measured on 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.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 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.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

The Group and the Company’s business activity is predominately insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of preparation (continued)****(b) Standards, amendments to published standards and interpretations (continued)**

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

- MFRS 15 “Revenue from contracts with customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- identify contracts with customers;
- identify the separate performance obligations;
- determine the transaction price of the contract;
- allocate the transaction price to each of the separate performance obligations; and
- recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Other than that, the adoption of these amendments did not have any impact on the current period and is not likely to affect future periods.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of preparation (continued)****(b) Standards, amendments to published standards and interpretations (continued)**

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

a) Effective from financial year beginning on or after 1 January 2019

- IC Interpretation 23 “Uncertainty over Income Tax Treatments” provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company is currently assessing the financial impact of adopting MFRS 16.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**2.1 Basis of preparation (continued)**

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

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

a) Effective from financial year beginning on or after 1 January 2019 (continued)

- Amendments to MFRS 9 “Prepayment features with negative compensation” allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a “held to collect” business model.

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:  
Amendments to MFRS 112 ‘Income Taxes’ clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.



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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**2.1 Basis of preparation (continued)**

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

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

b) Effective from financial year beginning on or after 1 January 2021

- 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) 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 remeasured 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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**2.1 Basis of preparation (continued)**

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

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

c) Effective from financial year beginning on or after 1 January 2021

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.

Other than MFRS 9, MFRS 16 and MFRS 17, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and the Company in the year of initial application.

The Group and the Company has yet to assess the full financial impact of MFRS 9, MFRS 16 and MFRS 17 will complete the process prior to the effective date.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2018 are not relevant to the Group and the Company.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies****(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Group refers to the Company and its investment in structured entities.

**(ii) Change in ownership interest in subsidiaries without change of control**

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions that are transactions with the owner in their capacity as owners. The difference between fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

**(iii) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

**(b) Investment in subsidiaries**

In the Company's separate financial statements, investments in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139 Financial Instruments: Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in the profit or loss.

**(c) Business combination**

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(d) Property, plant and equipment and depreciation**

Property, plant and equipment are initially stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	10 years
Renovation	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 Group and the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(j) to the unaudited condensed interim financial statements on impairment of non-financial assets.

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

**(e) Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

**(i) Accounting by lessee**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

###### **(e) Leases (continued)**

###### **(ii) Accounting by lessor**

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

###### **(f) Investment properties**

Investment properties are properties which are owned or held for long term rental yields or for capital appreciation or both. Such properties are measured initially at cost, including related transaction costs and borrowing costs if the investment properties meet the definition of qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed monthly, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially different from the fair values. All gains or losses arising from a change in fair value of investment properties are recognised in profit or loss.

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

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(g) Intangible assets**Computer software

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Group and the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

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 in progress is not amortised until the asset is ready for its intended use.

**(h) Investments and other financial assets**

The Group and the Company classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss ("FVTPL"), 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) Financial assets measured at FVTPL**

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

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

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LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include insurance receivables. These assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment.

Gains and losses are recognised profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

**(iii) AFS financial assets**

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

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument. 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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(i) Fair value of financial instruments**

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

For investments in unit and real estate investment trusts, fair value is determined by reference to published (closing) price.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. The Group and the Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/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 UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(j) Impairments of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

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

**(k) Impairments of financial assets**

The Group and the Company assesses at each date of the statement of financial position, whether a financial asset or group of financial assets is impaired.

**(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 interest rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recorded in profit or loss.

The Group and 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 date of the statement of financial position.

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To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and 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**

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity through the statement of comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

**(l) Insurance receivables**

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

If there is objective evidence that the insurance receivable is impaired, the Group and the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group and the Company gathers objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(k) to the unaudited condensed interim financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(m) to the unaudited condensed interim financial statements, have been met.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(m) Financial instruments – 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 Group and the Company has also transferred substantially all risks and rewards of ownership.

**(n) Equity instruments**Ordinary share capital

The Group and the Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group and the Company's shareholders. Interim dividends are deducted from equity when they are paid.

**(o) Product classification**

The Group and the Company issues contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

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

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

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

###### **(p) Reinsurance**

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group and 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 Group and the Company will receive from the reinsurers. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

The Group and the Company also assumes reinsurance risk in the normal course of business general insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance 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 premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(q) General insurance underwriting results**

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

Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period. Premiums from direct business are recognised during the financial period upon the issuance of insurance policies. Premiums in respect of risks inception for which insurance policies have not been raised as of the date of the statement of financial position are accrued at that date.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risk's inception date.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being inception and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

Premium liabilities

Premium liabilities refer to the higher of:

- (i) the aggregate of the unearned premium reserves ("UPR"); or
- (ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall Group and Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

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

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

- 25% method for marine and aviation cargo, and transit business;
- time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and
- 1/365th method for all other classes of general business in respect of Malaysian policies, reduced by the corresponding percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at date of the statement of financial position, using a mathematical method of estimation.

Commission expenses and acquisition costs

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

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

###### **(r) Insurance contract liabilities**

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise outstanding claims provision and premium liabilities.

Outstanding claims provision which includes a margin for adverse deviation is based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques on empirical data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities refer to the reserves related to premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Group and the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. The General Insurance Appointed Actuary of the Group and the Company performs the claims and premium liabilities estimation. A number of methods are employed initially in the estimation of ultimate claims reserves using the Group and the Company's own historical experience and other relevant market quantitative and qualitative information. The valuation methods used include the Incurred Claim Development method, the Paid Claim Development method, the Bornhuetter-Ferguson method and Expected Loss Ratio method. The final estimates are selected after due consideration is given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin is also incorporated into the ultimate claims estimates. The provision for adverse deviation is set at 75 percent confidence level as required by BNM.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(s) Other revenue recognition**Interest income

Interest income is recognised on an accrual basis using the effective yield method. When a receivable is impaired, the Group and the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Dividend income

Dividend income is recognised as investment income when the Group and the Company's right to receive payment is established.

Rental income

Rental income on investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on straight line basis over the lease term.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost, and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.



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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(t) Foreign currencies**

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Group and the Company.

Foreign currency transactions in the Group and the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss.

**(u) Income taxes**

Income taxes on the profit or loss for the financial year comprises current and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the date of the statement of financial position.

Current tax expense is determined according to the tax laws of the jurisdiction in which the Group and the Company operates and includes all taxes based upon the taxable profits. The tax expense is based on the method prescribed under the Income Tax Act, 1967 for general insurance business. Current tax is recognised in the profit or loss.

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

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

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

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Deferred tax is recognised as income or an expense and included in profit or loss for the financial period, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case the deferred tax is also recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities.

**(v) Provisions**

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

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

**(w) Employee benefits**Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are 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 are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and 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 years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Group and the Company makes such contributions to the Employees Provident Fund ("EPF"). Once the contributions have been paid, the Group and the Company has no further payment obligations.

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

###### **(x) Other financial liabilities and insurance payable**

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

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

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

The Group and 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 Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in 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 uncertain future events beyond the control of the Group and the Company. The Group and the Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

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

Cash and cash equivalents comprise cash on hand, and deposits held at call 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.

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **3. BUSINESS TRANSFER**

On 28 December 2017, the Minister of Finance, via BNM's letter granted a licence to the Company to commence general insurance business with effect from 1 January 2018 pursuant to a Business Transfer Scheme ("the Scheme") which was approved and confirmed by the High Court of Malaya on 5 December 2017 in accordance with Part VI of the Financial Services Act 2013 ("FSA").

On 1 January 2018, Zurich Life Insurance Malaysia Berhad transferred its entire general insurance business, assets, liabilities and its undertakings to the Company under the Scheme pursuant to section 100(1) of the FSA, as presented below.

	<b>01.01.2018</b>
	<b>RM'000</b>
<b>ASSETS</b>	
Property, plant and equipment	5,564
Intangible assets	2,542
Investment properties	11,960
Investments	804,600
Available-for-sale financial assets	804,288
Loans and receivables	312
Reinsurance assets	201,043
Insurance receivables	69,790
Other receivables	61,200
Tax recoverable	1,202
Cash and cash equivalents	37,823
<b>Total assets</b>	<b>1,195,724</b>
<b>LIABILITIES</b>	
Insurance contract liabilities	842,033
Deferred tax liabilities	4,087
Other liabilities	96,990
Insurance payables	124,120
Current tax liabilities	356
<b>Total liabilities</b>	<b>1,067,586</b>
<b>EQUITY</b>	
Available-for-sale reserve	9,646
<b>NET ASSETS</b>	<b>118,492</b>

The consideration for the transfer of the assets and liabilities of the general insurance business as at 1 January 2018 was RM1.00.

The basis of accounting for this business transfer is described in Note 2.1(a) of the unaudited condensed interim financial statements.

**ZURICH GENERAL INSURANCE MALAYSIA BERHAD (1249516-V)**

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**(a) Critical accounting estimates and assumptions**

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

Valuation of general insurance contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liability arising from claims made under an insurance contract, is the Group and the Company's most critical accounting estimate.

Provision is made for the estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with a risk margin for adverse deviation ("PRAD"). PRAD is an additional component to the liability value aimed at ensuring that the value of the insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. The estimated cost of claims also includes both direct and indirect expenses that are expected to be incurred in settling those claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, incurred but not reported claims form the majority of the liability in the statement of financial position.

The General Insurance Appointed Actuary performs the claims liabilities estimation. A number of methods were employed initially in the estimation of ultimate claims reserves using the Group and the Company's own historical experience and other relevant market quantitative and qualitative information. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the ultimate claims estimates.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**5. SEASONAL OR CYCLICAL FACTORS**

The Group and the Company's business operations are not significantly affected by any unusual seasonal or cyclical factors.

**6. UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period under review.

**7. DEBT AND EQUITY SECURITIES**

There were no issuances or repayments of debt and equity securities for the current financial period under review.

**8. DIVIDEND PAYMENT**

There was no dividend paid during the current financial period under review.

**9. SIGNIFICANT AND SUBSEQUENT EVENTS**

There were no material subsequent events from the end of the current financial period under review to the date of these unaudited condensed interim financial statements.

**10. CHANGES IN COMPOSITION OF THE GROUP AND THE COMPANY**

There were no changes in composition of the Group and the Company during the current financial period under review.

**11. CONTINGENT LIABILITIES**

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

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## ZURICH GENERAL INSURANCE MALAYSIA BERHAD (1249516-V)

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

#### 12. INVESTMENTS

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Securities/ Government Investment Issues	241,170	121,569	-	-
Corporate debt securities	732,219	600,423	25,518	31,276
Equity securities	65,530	63,746	65,530	63,746
Unit trusts	-	-	963,262	709,266
Loans	279	312	279	312
	<u>1,039,198</u>	<u>786,050</u>	<u>1,054,589</u>	<u>804,600</u>
Financial investments are summarised by measurement categories as follows:				
Available-for-sale ("AFS") financial assets	1,038,919	785,738	1,054,310	804,288
Loans and receivables ("LAR")	279	312	279	312
	<u>1,039,198</u>	<u>786,050</u>	<u>1,054,589</u>	<u>804,600</u>
Investments that mature after 12 months:				
AFS financial assets	930,146	679,074	24,548	26,242
LAR	216	240	216	240
	<u>930,362</u>	<u>679,314</u>	<u>24,764</u>	<u>26,482</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****13. FAIR VALUE MEASUREMENTS****(a) Determination of fair value and fair value hierarchy**

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

**Level 1 - Quoted market price**

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

**Level 2 - Valuation Techniques - Market Observable Input**

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

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

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, 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 Group and the Company. Therefore, unobservable inputs reflect the Group and the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group and the Company's own data and judgments.



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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

#### 13. FAIR VALUE MEASUREMENTS (CONTINUED)

##### (b) Financial instruments and non-financial assets carried at fair value

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Group</b>				
<u>30 June 2018</u>				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	241,170	-	241,170
- Corporate debt securities	-	731,249	970	732,219
- Equity securities	65,530	-	-	65,530
Non-financial assets				
Investment properties	-	-	11,960	11,960
	<u>65,530</u>	<u>972,419</u>	<u>12,930</u>	<u>1,050,879</u>
<u>31 December 2017</u>				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	121,569	-	121,569
- Corporate debt securities	-	599,453	970	600,423
- Equity securities	63,746	-	-	63,746
Non-financial assets				
Investment properties	-	-	11,960	11,960
	<u>63,746</u>	<u>721,022</u>	<u>12,930</u>	<u>797,698</u>

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### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

#### 13. FAIR VALUE MEASUREMENTS (CONTINUED)

##### (b) Financial instruments and non-financial assets carried at fair value (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Company</b>				
<u>30 June 2018</u>				
AFS financial assets:				
- Corporate debt securities	-	24,548	970	25,518
- Equity securities	65,530	-	-	65,530
- Unit trust	-	963,262	-	963,262
Non-financial assets				
Investment properties	-	-	11,960	11,960
	<u>65,530</u>	<u>987,810</u>	<u>12,930</u>	<u>1,066,270</u>
<u>31 December 2017</u>				
AFS financial assets:				
- Corporate debt securities	-	30,306	970	31,276
- Equity securities	63,746	-	-	63,746
- Unit trust	-	709,266	-	709,266
Non-financial assets				
Investment properties	-	-	11,960	11,960
	<u>63,746</u>	<u>739,572</u>	<u>12,930</u>	<u>816,248</u>

#### 14. REINSURANCE ASSETS

	Group/Company	
	30.06.2018	31.12.2017
	RM'000	RM'000
Reinsurers' share of insurance contract liabilities (Note 15)	<u>188,887</u>	<u>201,043</u>

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair values at the date of the statement of financial position.

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## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **15. INSURANCE CONTRACT LIABILITIES**

Group/Company	30.06.2018			31.12.2017		
	Gross	Re- insurance	Net	Gross	Re- insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	358,021	(79,846)	278,175	337,445	(87,758)	249,687
Provision for incurred but not reported claims ("IBNR")	200,367	(50,903)	149,464	196,057	(45,869)	150,188
Claim liabilities	558,388	(130,749)	427,639	533,502	(133,627)	399,875
Premium liabilities	315,956	(58,138)	257,818	308,531	(67,416)	241,115
	<u>874,344</u>	<u>(188,887)</u>	<u>685,457</u>	<u>842,033</u>	<u>(201,043)</u>	<u>640,990</u>

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## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **15. INSURANCE CONTRACT LIABILITIES (CONTINUED)**

	<b>2018</b>			<b>2017</b>		
	<b>Gross</b>	<b>Re- insurance</b>	<b>Net</b>	<b>Gross</b>	<b>Re- insurance</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Claims liabilities</u>						
At 1 January	533,502	(133,627)	399,875	496,671	(89,889)	406,782
Claims incurred in the current accident period/year	116,698	(13,647)	103,051	267,897	(38,178)	229,719
Other movements in claims incurred in prior accident period/years	51,421	1,078	52,499	55,135	(9,950)	45,185
Claims paid during the financial period/year	(147,543)	20,481	(127,062)	(316,016)	30,674	(285,342)
Movement in IBNR reserves	4,310	(5,034)	(724)	29,815	(26,284)	3,531
At 30 June/31 December	<u>558,388</u>	<u>(130,749)</u>	<u>427,639</u>	<u>533,502</u>	<u>(133,627)</u>	<u>399,875</u>
<u>Premium liabilities</u>						
At 1 January	308,531	(67,416)	241,115	293,316	(57,947)	235,369
Premium written in the financial period/year	344,055	(53,192)	290,863	661,108	(125,808)	535,300
Premium earned during the financial period/year	(336,630)	62,470	(274,160)	(645,893)	116,339	(529,554)
At 30 June/31 December	<u>315,956</u>	<u>(58,138)</u>	<u>257,818</u>	<u>308,531</u>	<u>(67,416)</u>	<u>241,115</u>

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### **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **16. TOTAL CAPITAL AVAILABLE**

The regulated capital of the Company as at 30 June 2018 comprised capital available of RM349,438,000.

The capital structure of the Company as at 30 June 2018, as prescribed under the RBC Framework, is shown below:

	<b>30.06.2018</b>
	<b>RM'000</b>
<b>Company</b>	
<b><u>Tier 1 Capital</u></b>	
Paid-up share capital	100,000
Reserves, including retained earnings	240,988
	<u>340,988</u>
<b><u>Tier 2 Capital</u></b>	
Available-for-sale reserves	8,456
Less:	
Deferred tax assets	(6)
<b>Total Capital Available</b>	<u><u>349,438</u></u>

#### **17. LEASE COMMITMENTS**

The lease commitments are in respect of rented premises and hire equipment, all of which are reclassified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group/Company</b>		
Within one year	4,258	1,592
One year to less than five years	8,184	1,303
	<u>12,442</u>	<u>2,895</u>

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