

LIBERTY INSURANCE BERHAD
197301003242 (16688-K)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	As at 30.6.2021 Unaudited RM'000	As at 31.12.2020 Audited RM'000
ASSETS			
Property and equipment		67,280	67,765
Right-of-use assets		966	1,441
Intangible assets - software		3,153	2,493
Investment properties	10(b)	28,720	28,720
Financial assets at fair value through other comprehensive income	11	695,246	642,624
Financial assets at fair value through profit or loss		193,523	136,302
Financial assets at amortised cost	12	455,449	590,806
Reinsurance assets	13	147,351	100,216
Insurance receivables	14	46,086	37,186
Other receivables		48,984	51,392
Deferred acquisition costs		30,501	31,149
Cash and short term deposits		52,681	38,089
Total assets still in used for business activities		<u>1,769,940</u>	<u>1,728,183</u>
Non-current asset held for sale	10(a)	6,600	6,600
Total assets		<u>1,776,540</u>	<u>1,734,783</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Other reserves		24,585	33,507
Retained earnings		632,695	606,251
Total equity		<u>757,280</u>	<u>739,758</u>
LIABILITIES			
Insurance contract liabilities	15	901,427	865,391
Tax liabilities		10,798	17,536
Deferred tax liabilities		454	2,433
Deferred acquisition costs - reinsurance		4,448	3,911
Insurance payables		46,978	39,147
Other payables		54,162	65,137
Lease liabilities		993	1,470
Total liabilities		<u>1,019,260</u>	<u>995,025</u>
Total equity and liabilities		<u>1,776,540</u>	<u>1,734,783</u>

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

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UNAUDITED CONDENSED INTERIM STATEMENT OF INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

		6 months ended 30.6.2021 Unaudited RM'000	6 months ended 30.6.2020 Unaudited RM'000
	Note		
Gross written premiums		292,753	279,667
Change in premium liabilities		9,833	23,845
Gross earned premiums (a)		<u>302,586</u>	<u>303,512</u>
Reinsurance premiums ceded		(57,639)	(49,496)
Change in premium liabilities		2,808	5,191
Premiums ceded to reinsurers (b)		<u>(54,831)</u>	<u>(44,305)</u>
Net earned premiums (a) - (b)		<u>247,755</u>	<u>259,207</u>
Investment income		17,582	22,216
Realised gains		468	1,123
Net fair value losses		(2,944)	-
Commission income		11,039	9,371
Other operating income		-	10
Other revenue		<u>26,145</u>	<u>32,720</u>
Gross claims paid	15	(156,351)	(136,941)
Claims ceded to reinsurers	15	19,166	8,949
Gross change to claims liabilities	15	(45,869)	8,935
Change in claims liabilities ceded to reinsurers	15	44,327	6,721
Net claims incurred		<u>(138,727)</u>	<u>(112,336)</u>
Commission expense		(35,427)	(34,354)
Management expenses		(62,199)	(60,482)
Other operating expenses		(1,994)	(24)
Other expenses		<u>(99,620)</u>	<u>(94,860)</u>
Profit before taxation		35,553	84,732
Tax expense		<u>(9,109)</u>	<u>(20,992)</u>
Net profit for the period		<u>26,444</u>	<u>63,740</u>
Basic and diluted earnings per share (sen)		<u>26.44</u>	<u>63.74</u>

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

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UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

	6 months ended 30.6.2021 Unaudited RM'000	6 months ended 30.6.2020 Unaudited RM'000
Net profit for the period	<u>26,444</u>	<u>63,740</u>
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
<u>Fair value through other comprehensive income ("FVOCI")</u>		
Fair value (loss) / gain on debt instruments designated at FVOCI	(11,741)	7,689
Tax effect on fair value (loss) / gain of FVOCI financial assets	<u>2,819</u>	<u>(1,845)</u>
	<u>(8,922)</u>	<u>5,844</u>
Total comprehensive income for the period	<u>17,522</u>	<u>69,584</u>

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

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UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

	Issued and fully paid ordinary shares	Non-distributable		Distributable	Total RM'000
	Nominal value RM'000	Asset revaluation reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	
At 1 January 2020	100,000	20,088	4,875	523,797	648,760
Total comprehensive income for the period	-	-	5,844	63,740	69,584
At 30 June 2020 (unaudited)	100,000	20,088	10,719	587,537	718,344
At 1 January 2021	100,000	19,665	13,842	606,251	739,758
Total comprehensive income for the period	-	-	(8,922)	26,444	17,522
At 30 June 2021 (unaudited)	100,000	19,665	4,920	632,695	757,280

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

		6 months ended 30.6.2021 Unaudited RM'000	6 months ended 30.6.2020 Unaudited RM'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		26,444	63,740
<u>Adjustment for non-cash items:</u>			
Property and equipment			
- depreciation		1,975	2,581
- adjustment		8	40
Amortisation of intangible assets		500	438
Depreciation of right-of-use assets		476	607
Net fair value loss from FVTPL financial assets		2,944	-
Interest and distribution income		(11,696)	(21,958)
Net rental expenses/(income)		311	(91)
Net amortisation/(accretion) of discounts		1,160	(111)
Write back of impairment allowance on insurance receivables		(223)	(217)
Interest expense		16	24
Tax expense		9,109	20,991
		<u>31,024</u>	<u>66,044</u>
Purchase of financial assets at FVOCI		(155,401)	(167,805)
Proceeds from maturity of financial assets at FVOCI		30,000	19,920
Interest income received		16,766	27,324
Net rental (expenses paid)/income received		(311)	91
Increase in reinsurance assets	13	(47,135)	(11,912)
Increase in insurance receivables	14	(8,677)	(7,747)
Decrease in other receivables		648	3,803
Decrease in deferred acquisition costs		2,408	2,722
Increase in insurance payables		7,831	16,737
Increase/(decrease) in insurance contract liabilities	15	36,035	(32,780)
Decrease in financial assets at amortised costs	12	130,000	125,000
Increase/(decrease) in other payables		(10,974)	551
Subtotal		<u>32,214</u>	<u>41,948</u>

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

	6 months ended 30.6.2021 Unaudited RM'000	6 months ended 30.6.2020 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)		
Subtotal from previous page	32,214	41,948
Increase in deferred acquisition costs-reinsurance	537	808
Cash generated from operating activities	<u>32,751</u>	<u>42,756</u>
Net Income tax paid	<u>(15,009)</u>	<u>(4,200)</u>
Net cash inflows from operating activities	<u>17,742</u>	<u>38,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,497)	(587)
Purchase of intangible assets - software	(1,160)	(651)
Proceeds from disposal of assets	-	274
Net cash outflows from investing activities	<u>(2,657)</u>	<u>(964)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	<u>(493)</u>	<u>(569)</u>
Net cash outflows from financing activities	<u>(493)</u>	<u>(569)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,592	37,023
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>38,089</u>	<u>29,244</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>52,681</u>	<u>66,267</u>

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting as issued by Malaysian Accounting Standard Board ("MASB") and International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2020.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(b) CHANGES IN ACCOUNTING POLICIES

(i) Amendments to Malaysian Financial Reporting Standards

The accounting policies adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2020, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2021.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments:

Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures,

MFRS 4 Insurance Contracts and MFRS 16 Leases

(Reference to Interest Rate Benchmark Reform-Phase 2)

Amendments to MFRS 16 Leases (Reference to Covid-19 Related Rent Concessions

beyond 30 June 2021)

The adoption of the above did not have any significant effects on the unaudited condensed interim financial statements upon their initial application.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Standards issued but not yet effective

The following are standards, amendments to Standards and Interpretations 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, amendments to standards and interpretation, if applicable, when they become effective:

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 116 Property, Plant and Equipment (Reference to Property, Plant and Equipment - Proceeds before Intended Use)	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Reference to Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Joint Venture - Annual Improvements to MFRS 2018 - 2020	1 January 2022
Amendments to MFRS 101 Presentation of Financial Statements (Reference to Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies)	1 January 2023
MFRS 17 Insurance Contracts and amendments	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Reference to Definition of Accounting Estimates)	1 January 2023
Amendments to MFRS 112 Income Taxes (Reference to Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The above new and amended standards and interpretation are not expected to have any material effect on the unaudited condensed interim financial statements in the period of initial application except as follow:

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Standards issued but not yet effective (continued)

MFRS 17 Insurance Contracts

In August 2017, the MASB issued MFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which will replace MFRS 4 Insurance Contracts.

In contrast to the requirements in MFRS 4, which was an interim standard and are largely based on alterations of previous local accounting policies for measurement purposes, MFRS 17 provides a comprehensive model (the general measurement model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which are expected to typically apply to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Standards issued but not yet effective (continued)

MFRS 17 Insurance Contracts (continued)

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

MFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. Retrospective application is required. However, if full retrospective application for a Company's insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date. The Company expects that the new standard will result in changes to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on its financial position, results and equity, together with significant changes to presentation and disclosure. The Company had completed the gap analysis and identified the key gaps arising from MFRS 17. The Company is currently in the process of designing the data and system requirements of MFRS 17.

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2. COMMENTS ON SEASONALITY OR CYCLICALITY

The business operations of the Company are subject to the sales cycle of the insurance business. The impact arising from the measures taken under the movement control order is disclosed under significant events.

3. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period ended 30 June 2021.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the interim period ended 30 June 2021.

5. DEBTS AND EQUITY SECURITIES

There were no issuances, repurchase or repayment of debt and equity securities by the Company during the interim period ended 30 June 2021.

6. DIVIDENDS PAID

No dividends have been paid or declared by the Company for the interim period ended 30 June 2021.

7. EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period that have not been reflected in the unaudited condensed interim financial statements for the interim period 30 June 2021.

8. EFFECT OF CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the interim period ended 30 June 2021.

9. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Company does not have any contingent assets or liabilities.

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10(a). NON CURRENT ASSETS HELD FOR SALE

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Long-term freehold land and building	<u>6,600</u>	<u>6,600</u>

The Management has obtained approval to dispose a property consisting of four floors at a price of RM6,600,000. Circumstances developed since the classification of the asset that were previously considered unlikely and, as a result, the asset was not sold at reporting date. The Management has not changed its intention and the property continues to be available for sale.

10(b). INVESTMENT PROPERTIES

	Freehold land and building RM'000	Leasehold land and building RM'000	Total RM'000
At fair value:			
At 1 January 2020	9,000	20,528	29,528
Net fair value losses	-	(808)	(808)
At 31 December 2020/30 June 2021	<u>9,000</u>	<u>19,720</u>	<u>28,720</u>

*The leasehold land is a ROU asset in accordance with MFRS 16.

During the financial year ended 31 December 2020, the Company revalued its freehold and long term leasehold properties which are held as investment properties based on independent valuations performed by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent accredited valuer.

The above table presents the reconciliation for all investment properties measured at fair value from opening balance to closing balance based on significant unobservable inputs (Level 3).

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10(b). INVESTMENT PROPERTIES (CONTINUED)

Recurring fair value measurements

All freehold and long term leasehold properties of the Company are classified within Level 3 of the fair value hierarchy. The fair values for all the properties have been derived using either the sales comparison approach or the income approach as allowed under MFRS 13 Fair Value Measurement. Sales prices of comparable land and buildings, rentals and yields of similar properties in close proximity are adjusted for differences in key attributes such as property size, location and quality of the building. The most significant input used in the sales comparison approach is price per square foot of comparable properties while the most significant inputs used in the income approach are yields and rental rates per square foot of comparable properties.

The titles to the freehold land and buildings included in investment properties of the Company with a carrying value of RM9,000,000 (2020: RM9,000,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

(i) Fair value hierarchy of Investment Properties

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3 of the fair value hierarchy):

31.12.2020/ 30.06.2021	Fair Value	Valuation	Unobservable	Range of values
Description	RM'000	techniques	inputs	
Leasehold land and building	19,720	Income approach	Rental per square foot ("p.s.f") per month Discount rate	RM3.30 - RM9.00 4.5% - 6.5%
Freehold land	9,000	Comparison approach	Rental per square foot ("p.s.f") per month	RM109 - RM120

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

(i) Financial assets at FVOCI comprise the following investments:

	As at 30.06.2021	As at 31.12.2020
	RM'000	RM'000
Malaysian government papers	451,906	441,895
Unquoted equity securities in Malaysia*	-	-
Unquoted corporate debt securities in Malaysia	243,340	200,729
	<u>695,246</u>	<u>642,624</u>

*This denotes that the fair value of unquoted equities as at 31 December 2020 is RM1.

(ii) Fair value hierarchy of financial assets at FVOCI

Recurring fair value measurements

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used in the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

- Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.
- Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Those include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.
- Level 3 - Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. There are no readily available prices for unquoted stocks. Adjusted Net Tangible Assets ("NTA") method was used to value the stocks whereby adjusted net assets are divided by the share capital to obtain the price per share.

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

(ii) Fair value hierarchy of financial assets at FVOCI (continued)

The following table shows financial assets at FVOCI at 30 June 2020 recorded at fair value analysed by the different bases of fair values as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2021				
Malaysian government papers	-	451,906	-	451,906
Unquoted equity securities in Malaysia*	-	-	-	-
Unquoted corporate debt securities in Malaysia	-	243,340	-	243,340
	-	<u>695,246</u>	-	<u>695,246</u>
31 December 2020				
Malaysian government papers	-	441,895	-	441,895
Unquoted equity securities in Malaysia*	-	-	-	-
Unquoted corporate debt securities in Malaysia	-	200,729	-	200,729
	-	<u>642,624</u>	-	<u>642,624</u>

*This denotes that the fair value of unquoted equities as at 30 June 2021 is RM1.

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12. FINANCIAL ASSETS AT AMORTISED COST

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Fixed and call deposits with licensed banks held for investment purposes	451,300	581,300
Accrued interest	4,149	9,506
	<u>455,449</u>	<u>590,806</u>

13. REINSURANCE ASSETS

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Reinsurance of insurance contracts:		
Claims liabilities (Note 15)	113,170	68,843
Premium liabilities (Note 15)	34,181	31,373
	<u>147,351</u>	<u>100,216</u>

14. INSURANCE RECEIVABLES

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Due premium including agents, brokers and co-insurers balance	32,784	22,480
Due from reinsurers and cedants	15,154	16,451
	<u>47,938</u>	<u>38,931</u>
Accumulated impairment losses	(2,658)	(2,881)
	<u>45,280</u>	<u>36,050</u>
Knock-for-knock claims recoveries due from other insurers	807	1,136
Accumulated impairment losses	(1)	-
	<u>806</u>	<u>1,136</u>
	<u>46,086</u>	<u>37,186</u>

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

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15. INSURANCE CONTRACT LIABILITIES

	← 30.06.2021 →			← 31.12.2020 →		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
General insurance	901,427	(147,351)	754,076	865,391	(100,216)	765,175

The general insurance contract liabilities and the movement during the period/year are further analysed as follows:

	← 30.06.2021 →			← 31.12.2020 →		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Provision for claims	441,796	(84,908)	356,888	401,387	(43,728)	357,659
Provision for incurred but not reported ("IBNR") claims	160,463	(28,262)	132,201	155,003	(25,115)	129,888
Claims liabilities (i),(ii)	602,259	(113,170)	489,089	556,390	(68,843)	487,547
Premium liabilities (iii)	299,168	(34,181)	264,987	309,001	(31,373)	277,628
	<u>901,427</u>	<u>(147,351)</u>	<u>754,076</u>	<u>865,391</u>	<u>(100,216)</u>	<u>765,175</u>

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15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities

	←	30.06.2021	→	←	31.12.2020	→
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021/2020	556,390	(68,843)	487,547	584,400	(69,776)	514,624
Claims incurred for the current accident period/year (direct and facultative)	211,760	(66,140)	145,620	326,962	(37,203)	289,759
Adjustment to claims incurred in prior accident years (direct and facultative)	(14,657)	10,167	(4,490)	(31,136)	2,997	(28,139)
Claims incurred during the period/ year (treaty inwards claims)	(2,415)	-	(2,415)	(527)	-	(527)
Movement in PRAD of claims liabilities at 75% confidence level	7,399	(7,520)	(121)	(1,935)	272	(1,663)
Movement in claims handling expenses	133	-	133	1,400	-	1,400
Claims paid during the period/year	(156,351)	19,166	(137,185)	(322,774)	34,867	(287,907)
At 30 June 2021/31 December 2020	<u>602,259</u>	<u>(113,170)</u>	<u>489,089</u>	<u>556,390</u>	<u>(68,843)</u>	<u>487,547</u>

LIBERTY INSURANCE BERHAD
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15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Claims liabilities by class of business

	← 30.06.2021 →			← 31.12.2020 →		
	Motor RM'000	Non-motor RM'000	Total RM'000	Motor RM'000	Non-motor RM'000	Total RM'000
Gross claims liabilities	482,991	119,268	602,259	492,017	64,373	556,390
Reinsurance	(22,378)	(90,792)	(113,170)	(29,521)	(39,322)	(68,843)
Net claims liabilities	<u>460,613</u>	<u>28,476</u>	<u>489,089</u>	<u>462,496</u>	<u>25,051</u>	<u>487,547</u>

(iii) Premium liabilities

	← 30.06.2021 →			← 31.12.2020 →		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At 1 January 2021/2020	309,001	(31,373)	277,628	312,891	(27,650)	285,241
Premiums written during the period/year	292,753	(57,639)	235,114	594,696	(90,555)	504,141
Premiums earned during the period/year	(302,586)	54,831	(247,755)	(598,586)	86,832	(511,754)
At 30 June 2021/31 December 2020	<u>299,168</u>	<u>(34,181)</u>	<u>264,987</u>	<u>309,001</u>	<u>(31,373)</u>	<u>277,628</u>

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16. COMMITMENTS

(a) Capital expenditure not provided in the financial statements are as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Authorised by the Directors and contracted for:		
- Property and equipment	458	4,201
	<u>458</u>	<u>4,201</u>

(b) Operating lease commitments

(i) The Company as lessee

The Company has operating lease agreement entered into in respect of network charges. The future aggregate minimum lease payments under operating lease are as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Not later than 1 year	1,403	1,870
Later than 1 year and no later than 3 years	-	468
	<u>1,403</u>	<u>2,338</u>

(ii) The Company as lessor

The Company has entered into lease agreements on its properties. The leases have remaining lease terms of between 1 to 3 years. The future aggregate minimum lease receivables under the operating leases contracted for as at the reporting date but not recognised as assets, are as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Not later than 1 year	1,354	1,492
Later than 1 year and no later than 3 years	-	642
	<u>1,354</u>	<u>2,134</u>

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17. SIGNIFICANT RELATED PARTY DISCLOSURES

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY, SINGAPORE BRANCH, SINGAPORE

	30.06.2021	31.12.2020
	RM'000	RM'000
<u>Expenses/(income) :</u>		
Transaction with non-controlling shareholders		
Reinsurance ceded premium	8	17
Reinsurance commission received	(3)	(5)
Reinsurance claims recovery	(59)	(99)
	<u> </u>	<u> </u>
<u>Due from/(due to) :</u>		
Balance with non-controlling shareholder:		
Reinsurance payables	(1)	-
	<u> </u>	<u> </u>

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY, LABUAN BRANCH, LABUAN, MALAYSIA

	30.06.2021	31.12.2020
	RM'000	RM'000
<u>Expenses/(income):</u>		
Transactions with non-controlling shareholder:		
Reinsurance ceded premium	1,991	3,049
Reinsurance commission received	(423)	(574)
Reinsurance claims recovery	(759)	(1,012)
	<u> </u>	<u> </u>
<u>Due from/(due to):</u>		
Balance with non-controlling shareholder:		
Reinsurance receivables	8	32
Reinsurance payables	(564)	(499)
	<u> </u>	<u> </u>

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17. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - LIBERTY GROUP

	30.06.2021	31.12.2020
	RM'000	RM'000
<u>Expenses/(income) :</u>		
Transactions with Liberty Group Companies:		
Reinsurance ceded premium		
- Liberty Insurance Pte Ltd, Singapore	6,567	11,144
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	5,181	9,435
- Liberty Specialty Markets Singapore Pte Ltd.	-	593
- Liberty Mutual Insurance Co Boston	3,705	3,289
- Liberty Mutual Insurance Co Australia	3	-
- Liberty Specialty Markets, Spain	-	194
	<u>15,456</u>	<u>24,655</u>
Reinsurance commission received		
- Liberty Insurance Pte. Ltd, Singapore	(976)	(1,341)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(1,228)	(2,481)
- Liberty Specialty Markets Singapore Pte Ltd.	-	(148)
- Liberty Mutual Insurance Co Boston	(692)	(684)
- Liberty Specialty Markets, Spain	-	(29)
	<u>(2,896)</u>	<u>(4,683)</u>
Transactions with Liberty Group Companies (continued):		
Reinsurance claims recovery		
- Liberty Insurance Pte. Ltd, Singapore	(3,030)	(4,740)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(167)	(230)
- Liberty Mutual Insurance Co Boston	(1,037)	(1,218)
	<u>(4,234)</u>	<u>(6,188)</u>

LIBERTY INSURANCE BERHAD
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17. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - LIBERTY GROUP (CONTINUED)

	30.06.2021	31.12.2020
	RM'000	RM'000
EDP expenses		
- Liberty Mutual Insurance Company	203	281
	<u>203</u>	<u>281</u>
<u>Expenses/(income) (continued):</u>		
Staff salaries and others		
- Liberty Mutual Insurance Company	(469)	(772)
- Liberty International Underwriters Pte Ltd. (Labuan Branch)	(765)	(1,151)
	<u>(1,234)</u>	<u>(1,923)</u>
<u>Due from/(due to) :</u>		
Balances with Liberty Group comprises:		
Reinsurance receivables		
- Liberty Insurance Pte. Ltd, Singapore	12,123	11,305
- Liberty Mutual Insurance Co Boston	213	173
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	53	224
	<u>12,389</u>	<u>11,702</u>
Reinsurance payables		
- Liberty Insurance Pte Ltd, Singapore	(1,382)	(1,080)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(2,261)	(1,914)
- Liberty Specialty Markets Singapore Pte Limited	-	(163)
- Liberty Specialty Markets,Australia	(3)	-
- Liberty Mutual Insurance Co Boston	(120)	(362)
	<u>(3,766)</u>	<u>(3,519)</u>
<u>Due from/(due to) (continued):</u>		
Other receivables		
- Liberty Mutual Insurance Company	168	(214)
- Liberty International Underwriters Pte Ltd. (Labuan Branch)	84	145
	<u>252</u>	<u>(69)</u>

The balances with the related parties above are unsecured, interest free, repayable in accordance with the terms of the relevant contracts or on demand and are included in insurance receivables (Note 14), other receivables and insurance payables.

LIBERTY INSURANCE BERHAD
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18. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
As at 30.06.2021					
Assets					
Property and equipment	-	-	-	67,280	67,280
Right-of-use assets	-	-	-	966	966
Intangible assets - software	-	-	-	3,153	3,153
Non-current asset held for sale	-	-	-	6,600	6,600
Investment properties	-	-	-	28,720	28,720
Financial asset at FVOCI	695,246	-	-	-	695,246
Financial assets at FVTPL	-	193,523	-	-	193,523
Financial assets at amortised cost	-	-	455,449	-	455,449
Reinsurance assets	-	-	-	147,351	147,351
Insurance receivables	-	-	46,086	-	46,086
Other receivables	-	-	47,476	1,508	48,984
Deferred acquisition costs	-	-	-	30,501	30,501
Cash and short term deposits	-	-	52,681	-	52,681
Total assets	695,246	193,523	601,692	286,079	1,776,540
			Other financial liabilities RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Insurance contract liabilities	-	-	-	901,427	901,427
Tax liabilities	-	-	-	10,798	10,798
Deferred tax liabilities	-	-	-	454	454
Deferred acquisition costs - reinsurances	-	-	-	4,448	4,448
Insurance payables	-	-	46,978	-	46,978
Other payables	-	-	38,927	15,235	54,162
Lease liabilities	-	-	-	993	993
Total liabilities	-	-	85,905	933,355	1,019,260

LIBERTY INSURANCE BERHAD
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18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at FVOCI	Financial assets at FVTPL	Financial assets at amortised cost	Assets not in scope of MFRS 9	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.12.2020					
Assets					
Property and equipment	-	-	-	67,765	67,765
Right-of-use assets	-	-	-	1,441	1,441
Intangible assets - software	-	-	-	2,493	2,493
Non-current asset held for sale	-	-	-	6,600	6,600
Investment properties	-	-	-	28,720	28,720
Financial assets at FVOCI	642,624	-	-	-	642,624
Financial assets at FVTPL	-	136,302	-	-	136,302
Financial assets at amortised cost	-	-	590,806	-	590,806
Reinsurance assets	-	-	-	100,216	100,216
Insurance receivables	-	-	37,186	-	37,186
Other receivables	-	-	50,592	800	51,392
Deferred acquisition costs	-	-	-	31,149	31,149
Cash and short term deposits	-	-	38,089	-	38,089
Total assets	642,624	136,302	716,673	239,184	1,734,783
			Other financial liabilities	Liabilities not in scope of MFRS 9	Total
			RM'000	RM'000	RM'000
Liabilities					
Insurance contract liabilities	-	-	-	865,391	865,391
Tax liabilities	-	-	-	17,536	17,536
Deferred tax liabilities	-	-	-	2,433	2,433
Deferred acquisition costs - reinsurances	-	-	-	3,911	3,911
Insurance payables	-	-	39,147	-	39,147
Other payables	-	-	43,267	21,870	65,137
Lease liabilities	-	-	-	1,470	1,470
Total liabilities			82,414	912,611	995,025

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19. REGULATORY CAPITAL REQUIREMENTS

The total capital available of the Company as at 30 June 2021, as prescribed under the RBC Framework is provided below:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000	100,000
Retained earnings	632,695	606,251
	<u>732,695</u>	<u>706,251</u>
Tier 2 Capital:		
Asset revaluation reserve	19,665	19,665
FVOCI reserve	4,920	13,842
	<u>24,585</u>	<u>33,507</u>
Amounts deducted from capital	(12,343)	(13,613)
Total capital available	<u>744,937</u>	<u>726,145</u>

20. LEGAL UPDATES

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision (PD) under S36(1) of the Competition Act 2010 ("CA") that the Company along with PIAM and the other 21 Insurers had infringed the prohibition under S4(2)(a) of the CA and had indicated a financial penalty of RM213 million on all 22 insurers. PIAM and its 22 member insurers denied the Alleged infringement and maintained that they were following Bank Negara Malaysia's ("BNM") directive to PIAM to engage with the Federation of Automobile Workshop Owner's Association of Malaysia ("FAWOAM") in order to resolve issues related to parts trade discounts and labour hourly rates.

The Company's de novo case proceeded and was completed for the Company on 19 and 20 February 2019.

MyCC delivered its final decision ("Final Decision") on 25 September 2020 in which MyCC concluded that PIAM and the 22 Insurers (which includes Liberty) as enterprises listed in the Final Decision have infringed the section 4 prohibition of the Competition Act 2010 ("the Act"). The Commission imposed a collective financial penalty of RM144 million on the 22 insurers, of which the Company's portion amounts to RM 8,115,998. This sum was arrived at after a discount of 10% for mitigating circumstances (amongst others, having a compliance program in place) and a further 25% of this reduced sum in view of the COVID-19 pandemic. In addition, the MyCC imposed a cease and desist order against the insurers.

The Company has appealed against the MyCC Final decision in its entirety and has taken other appropriate action as advised by its legal advisers. On 23rd March 2021, the Competition Appeal Tribunal (COMPAT) unanimously granted a stay of execution against the payment of the fine of RM8.1 million as well as the cease and desist order. Further, COMPAT has fixed the appeal dates on the 12th, 15th, 16th, 19th and 26th November 2021 as common dates for the hearing of the appeal.

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20. LEGAL UPDATES (CONTINUED)

In addition to the above appeal, the Company has also sought a judicial review leave application in the High court against the unfairness and failure of due process by MyCC in arriving at their Final Decision. The learned judge of the High court has granted the Company the requisite leave. However, MyCC is objecting to the said grant of leave and has filed a setting aside application, which is now fixed for continued arguments on 4th August 2021.

Based on the current status of the case, the Company has made a provision for the purported financial penalty, and the Company does so without any admission of liability.

21. SIGNIFICANT AND SUBSEQUENT EVENTS

I. COVID-19 Impact

The COVID-19 pandemic has affected the world's economy and Malaysia is not spared from its impact. In 2021, Malaysia experienced measures taken under the Movement Control Order ("MCO") in varying degree. The extensive measures taken to contain the spread of COVID-19 impacted the business operations of the Company. The management and the Board have been closely monitoring the situation and positioning the Company to preserve and strengthened our business operations and responded to business uncertainty through our sound business continuity plan to ensure continuous operation with minimal interruptions and providing continuing supports to our business partners and policyholders. This is further explained below:

i) Business Operation

The imposition of MCO affected the performance of the Company largely due to restrictions on many economic activities, coupled with the drop in business demand. The Company has undertaken several initiatives to mitigate the movement restriction, by shifting its resources towards digital platform channels in order to further reach and service its customers. The Company has leveraged business opportunities from its existing and improved digital platforms, which enabled the Company to continue sustaining business volume.

ii) Investment Operations

Overall investment climate was dampened by the continued acceleration of COVID-19 cases globally which dimmed the prospect of fast economic recovery as governments around the world mull stricter measures to contain the pandemic. During the financial year 2020, BNM had reduced overnight policy rate ("OPR") to provide additional policy stimulus to accelerate the pace of economic recovery. The OPR rate cut impacted the investment returns of the Company in the six months financial period of 2021. The Company increased investments in other financial securities i.e. collective investment scheme and corporate debt securities.

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21. SIGNIFICANT AND SUBSEQUENT EVENTS (CONTINUED)

I. COVID-19 Impact (continued)

ii) Investment Operations (continued)

The Company continues to preserve its capital with investment in sound credit rating financial assets in accordance with its investment policy and ensure a regular income stream from long term fixed income securities.

iii) Customers and Society

On the measures announced by BNM to assist individuals, small-medium enterprises and corporates affected by COVID-19, the Company facilitated their policyholders request for payment deferment. In combating the COVID-19 outbreak, the Company has provided contributions to the COVID-19 relief fund.

The management is satisfied with the ability of the Company to continue as a going concern and that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

The extent and duration of the impact of the COVID-19 pandemic remain uncertain and depend on the future developments that cannot be accurately predicted at this stage. Therefore, a reliable estimate of such impact beyond the reporting date cannot be made at the date of the authorisation of the interim financial statements.

II. Acquisition of AmGeneral Insurance Berhad

Liberty Mutual Insurance Company, the immediate holding company of the Company will be applying for regulatory approval to acquire Malaysian insurer AmGeneral Insurance Berhad (AmGeneral). AmGeneral is currently 51%-owned by AmBank Group and 49%-owned by Insurance Australia Group (IAG). Subject to receiving appropriate regulatory approvals, the Company will acquire 100% shares of AmGeneral, and AmBank Group's share of the sale proceeds will be in the form of cash and consideration shares, which will result in AmBank Group holding a 30% interest in the Company and AmGeneral businesses. The AmGeneral and the Company operations will, at a subsequent date, be formally merged.

As part of the transaction, the prospective merged entity will enter into an exclusive 20-year bancassurance partnership with AmBank Group to distribute general insurance products.