NATIONAL
INSURANCE COMPANY BERHAD
In association with Allianz

CONTENTS

In the event of any conflict between the english and the malay version, the english version shall prevail.

Background

National Insurance Company Berhad is the preferred general insurer in Brunei Darussalam. Incorporated in 1969, the company came under the current management in 1987. The Allianz Group, MSIG Holdings (Asia) Pte. Ltd, and the Baiduri Holdings Berhad acquired interests in National Insurance in January 1998.

Allianz is one of the world's largest insurance companies while Mitsui Sumitomo is the largest Japanese insurer in ASEAN and is part if the Mitsui Group, Asia's Largest conglomerate. The Baiduri Group is one of Brunei Darussalam's most dynamic business enterprises with interests ranging from financial services to newspaper publishing. These strategic relationships facilitate the transfer of international insurance expertise to Brunei Darussalam and enable the company to explore new areas of opportunity in insurance. The company plays an active role in Brunei Darussalam business community and is a member of the Brunei Insurance and Takaful Association, the Brunei Darussalam International Chamber of Commerce and Industry and the East Asian Insurance Congress.

Mission & Philosophy

Our mission is to be the preferred insurer in Brunei Darussalam. We are committed to provide a range of insurance services which continuously meet the requirements of our customers. In doing so, we seek to excel in the following key areas:

Market Leadership

We seek market leadership in our preferred niche market. We will define market leadership in terms of our market share and the quality of the services we provide in these market segments. Although we will seek market share, we will not do so at the expense of quality and profitability.

Outstanding Services

We seek to provide outstanding services to our clients. We will measure service in terms of the extent to which we anticipate and meet the needs of our customers in the critical areas of security, coverage, cost and claims settlement and we will constantly compare ourselves with the best companies within the region.

Outstanding People

We seek to employ the most suitable people in the local insurance industry. We seek people who are honest, team players, willing to learn, committed to high work standards and to achieve results.

Excellent Results

We seek to produce excellent financial results for our shareholders. We will define the financial results in terms of a return on investment which is above average and which is the product of aggressive marketing, prudent underwriting and investment management.

Mission & Philosophy (con't)

First Class Management

We seek distinction as an insurance company with first class management not just relative to the local industry but also in regional terms. Our management will be evaluated in terms of how successful they are in directing and organising the Company towards continual improvement in the management system.

Training and Development

We believe that training and development is a key to NIC's continued success. The company's focus in providing professional insurance training to bring the skills level of staff and agents to international standards and on continued improvement to quality service.

In undertaking our mission, we will adopt the following approach:

• We believe excellence comes from focusing our energies and our resources. Our business is insurance underwriting and we will seek to grow and develop as an insurance company. Our interest in other areas will only be to the extent that they directly strengthen our competitive advantage in our core business.

• We believe that without customers, we would have no business. We must therefore ensure that the customer comes first in every aspect of our work organization.

• We believe that our people are our key resources. We must therefore seek to recruit the most suitable people available and to provide them with opportunities for development, worthwhile careers and a satisfying work environment. We want people we can be proud of and we want them to view this Company as a challenging yet an enjoyable place to work in.

• We believe that our continued growth depends on our ability to anticipate and adapt to change in a disciplined manner. We must therefore always seek to be proactive and to innovate but within the context of thorough planning.

• We believe that we have social responsibilities to the local industry and the community of which we are a part. We must therefore seek to contribute to the good standing of the local industry and to be good corporate citizens of Brunei Darussalam.

ISO 9001

National Insurance Company Berhad Achieved ISO 9002 certification on 15th April 1996, and was recertified to the new PBD ISO 9001:2015 standard on 22nd May 2017. It is currently the only insurance company in Brunei Darussalam and amongst the few in the region to have achieved the prestigious certification. The Management Review Team (MRT) meets at least once a month to set specific objectives, arrange for implementation and monitor progress. Internal audits are carried out on a regular basis by members of the Audit Team, while an external audit by certified ISO external auditors is carried out once a year to determine the fitness of our quality management system.

Certificate Number **BRN14.050**

Directors

YAM Pengiran Muda
Abdul Qawi
Chairman

YAM Pengiran Kerma Raja Pengiran Dato Hj
Kamarulzaman Bin Pengiran Pekerma Setia
DiRaja Sahibul Bandar Pengiran Hj Ali
Director

Dato Paduka Timothy
Ong Teck Mong
Deputy Chairman

Yoshio Motohashi
Director

Mark Barry Mitchell
Director

Lisa Dato Paduka Hj Ibrahim
Director

Paul Richard Hirschfield
Director

S. Rashid Bin Hj A. Salam /
Abd Salam
Director

Stephen Ong Teck Soon
Alternate Director to
Dato Paduka Timothy
Ong Teck Mong

Kolja Klawunn
Alternate Director to
Mark Barry Mitchell

Management Team

The day to day management of the company is supervised by a Management Review Team led by the General Manager. The Management Review Team meets at least once a month to discuss operational and marketing issues, setting and monitoring specific objectives as well as monitoring our Quality Management System.

The Management Review Team comprise the following:

General Manager
Klaus Tomalla

Managers
Aminuddin Nasuha (Underwriting)
Chieng Chiew Wei (Accounts & Finance)
Emily Chong (Reinsurance)
Chen Choon Foong (Business Development)
Ching Lee Ken (Human Resources & Administration)
Katherine Teo (Underwriting)
Alexander Akaw (Underwriting)

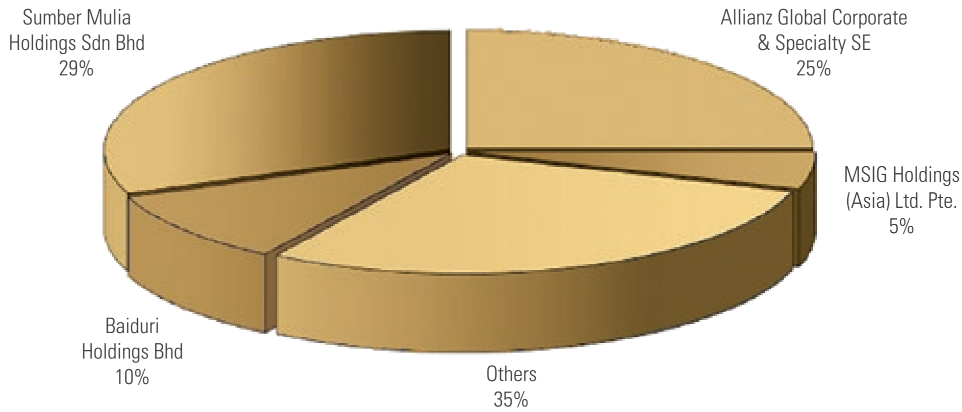
Senior Manager
Denis Buyok (Underwriting, Claims & Risk Management)

Assistant Manager
Wilfred Lungga (Claims)

Officers
Lisa Lim Siew Chian (Compliance officer)
Izzah Hafizah Hj Ali Bahrom (Senior Executive Risk Management)

Shareholders

Amongst Brunei Companies, National Insurance is unique in its ownership structure. It has approximately 163 shareholders of which 152 comprise of Bruneian investors. Of its B$8 million share capital, 70% is held by Brunei citizens or companies owned by Brunei nationals. The two largest local shareholders are Sumber Mulia Holdings Sdn Bhd (29%) and Baiduri Holdings Bhd (10%). The Allianz Global Corporate & Specialty SE owns (25%) while MSIG Holdings (Asia) Ltd. Pte. owns (5%) of the company.



Corporate Information

Name
NATIONAL INSURANCE COMPANY BERHAD

Place and Date of Incorporation
Brunei Darussalam
24th December 1969

Paid-up Capital
B$8 million

Head Office
Units 12 & 13, Block A, Regent Square,
Spg 150, Kg Kiarong, BE1318
Brunei Darussalam

Telephone
242 6888, 222 6222, 223 3999

Facsimile
242 9888 - Administration & Claims
245 4277 - Underwriting
223 8999 - Business Development
245 4303 - Accounts

Email
insurance@national.com.bn

Website
www.national.com.bn

24 - hour Hotline
1-800-0999

Tow-truck Service
223 4567, 718 0388, 871 8977

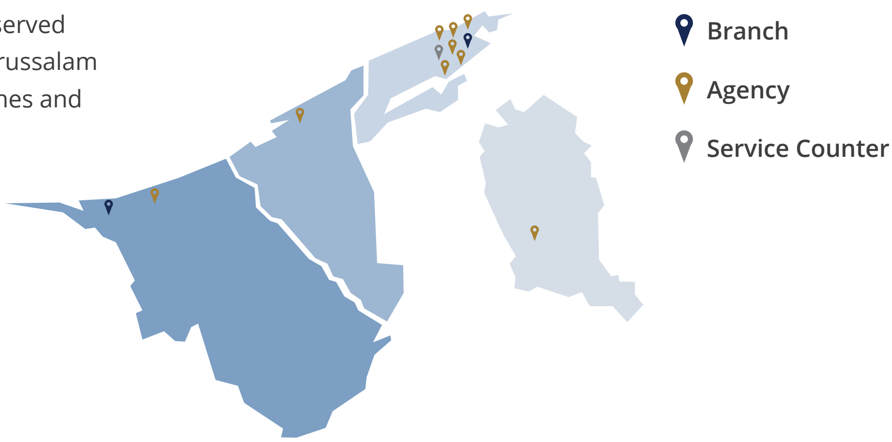
Correspondence Address
P O Box 1251, BSB BS8672, Brunei Darussalam
P O Box 958, KB KA1531, Brunei Darussalam

Auditors
Ernst & Young
Room 309A, 3rd Floor, Wisma Jaya
Jalan Pemancha, Bandar Seri Begawan BS8811,
Brunei Darussalam
Telephone: 223 9139, 223 9140
Facsimile: 223 9142
Email: inquiries.eybrunei@bn.ey.com

Corporate Secretary
Tricor (B) Sdn Bhd
Room 308B, 3rd Floor Wisma Jaya,
Jalan Pemancha, Bandar Seri Begawan BS8811,
Brunei Darussalam
Telephone: 223 2780, 223 2781
Facsimile: 223 2783
Email: info@bn.tricorglobal.com

National Insurance Network

National Insurance is served throughout Brunei Darussalam by a network of branches and agency offices.



Corporate Information

BRANCH

Kuala Belait
Unit 20, Block C, Lot 8989
Jalan Pandan Tujuh,
Kuala Belait KA1931
Tel: 333 6468, 333 6469, 333 1222
Fax: 334 2191
Email: kb@national.com.bn

SERVICE COUNTERS

Land Transport Dept, Gadong
Tel: 245 2238
Fax: 245 2239

Labour Department
Jalan Menteri Besar
Tel: 238 4777
Fax: 238 0777

Baiduri Finance Sumbangsih
Tel: 244 4633
Fax: 244 4622

ONLINE AGENCY OFFICES

ADAMAS INSURANCE AGENCY
Lot 39 & 40, Ground Floor,
Ang's Development Building,
Jalan Sultan Omar Ali, Seria KB2733,
Negara Brunei Darussalam.
Tel: 322 4828, 322 6569
Fax: 322 6569

AXSEL JAYA INSURANCE AGENCY SDN BHD
Unit 110, Ground Floor, Bangunan
Kumbang Pasang, Gadong BE4119,
Brunei Darussalam.
Tel: 244 8989
Fax: 245 1181

BRIGHT FUTURE INSURANCE AGENCY
Unit B10, Mezzanine Floor,
Shakirin Complex, Spg 88,
Kg Kiulap BE1518,
Negara Brunei Darussalam.
Tel: 2237016 / 2237018
Fax: 2237015

CANTUMAN BAHAGIA INSURANCE AGENCY
No 6, Blk A, 1st Floor, Spg 628,
Bgn Dato Paduka Lim Seng Kok,
Kg Medewa, Jalan Tutong BF1120,
Negara Brunei Darussalam.
Tel: 265 4370
Fax: 265 0628

CEDAR MANAGEMENT SERVICES
No.179A, KM1, Riverview Medical
Complex, Jalan Gadong,
Kg Kumbang Pasang BA1511,
Negara Brunei Darussalam.
Tel: 223 0506
Fax: 223 0499

DAVID LIAW INSURANCE AGENCY
No. 5, Spg 502-56-18,
Jalan Gadong, Kg Beribi BE1118,
Negara Brunei Darussalam.
Tel: 245 6308
Fax: 245 6308

GALORE INSURANCE SERVICES
No 5, 1st Floor, Block B, Urairah
Complex, Kg Kiulap BE1518,
Negara Brunei Darussalam.
Tel: 222 8619, 222 8621
Fax: 222 8715

IMG INSURANCE AGENCY SERVICES
C1, 1st Floor, Shakirin Complex,
Kg Kiulap BE1518,
Negara Brunei Darussalam.
Tel: 222 5073, 223 7902
Fax: 224 1665

INNSO COMMERCIAL SERVICES
No.9, 2nd Floor, Block A, Lot 53068,
Komplex Delima Jaya, Kg Serusop,
Jalan Muara BB2313,
Negara Brunei Darussalam.
Tel: 233 5129
Fax: 233 5128

INSIGNIA INSURANCE AGENCY
No. 43, 1st Floor, Block C,
Bangunan Gadong Central,
Kg Menglait BE4119,
Negara Brunei Darussalam.
Tel: 244 4555
Fax: 245 7737

KANG & KENT ENTERPRISE
F105A, Kompleks Harapan,
Jalan Setia Diraja,
Kuala Belait KA3131,
Negara Brunei Darussalam.
Tel: 333 1956
Fax: 333 1958

Corporate Information

MENANG JAYA SERVICES SDN BHD
No.3A, 1st floor,
Bangunan Lo Kum Mui,
Spg 614, Jalan Tutong BF1320,
Negara Brunei Darussalam.
Tel: 2653099
Fax: 2653099

MIRAGE ENTERPRISE
No 10, 2nd Floor, Block B,
PAP Hjh Norain Building,
Km 2, Jalan Tutong BA1712,
Negara Brunei Darussalam.
Tel: 222 4080, 222 4081
Fax: 222 4078

PAWAY INSURANCE AGENCY
Unit 3, 1st Floor, Bgn. Hj Emran Bin Hj Md Salleh,
Spg. 646, Kg Bunut,
Jalan Tutong, BF1320
Negara Brunei Darussalam.
Tel: 265 2220
Fax: 265 2230

PROINSURE ENTERPRISE
No 8, Ground Floor, Sumbangsih Bahagia Kompleks,
Perindustrian Beribi II,
Gadong BE1118,
Negara Brunei Darussalam.
Tel: 242 2211, 242 3770
Fax: 242 2209

RICHLAND INSURANCE SERVICES SDN BHD
Block J, Unit 11, 1st Floor,
Abdul Razak Complex,
Jalan Gadong BE4119,
Negara Brunei Darussalam
Tel: 242 7112, 242 7113
Fax: 242 7114

SEJAHTERA MANAGEMENT & SERVICES
No.7, 1st Floor, Block H,
Kompleks Pengkalan Gadong,
Jalan Tungku Link,
Batu Bersurat BE3519,
Negara Brunei Darussalam.
Fax: 242 8597

SHIM WEI JING INSURANCE AGENCY
No. 7, Spg 148-3, Jalan Telanai,
Bandar Seri Begawan,
Negara Brunei Darussalam.
Fax: 323 0908

TOPINS MARKETING SERVICES
Unit C4, 1st Floor, Block C,
Shakirin Complex,
Kg Kiulap BE1518,
Negara Brunei Darussalam.
Tel: 2221423, 2221424
Fax: 2221419

U.M.S. INSURANCE AGENCY
No.7, Ground Floor, Block A, Lot 8989, Jalan Pandan 7, Kg Pandan,
Kuala Belait KA1189,
Negara Brunei Darussalam.
Tel: 334 0250
Fax: 333 5479

VINCENT & ASSOCIATES SDN BHD
Unit 10, 1st Floor, Block A, Spg 88,
Q-Lap Complex, Kg Kiulap BE1518,
Negara Brunei Darussalam.
Tel: 223 6196, 223 6197
Fax: 223 6195

V-PRO SDN BHD
Unit 10-1, 1st Floor, Block A,
Delima Jaya Complex,
Jalan Muara BB2313,
Negara Brunei Darussalam.
Tel: 234 0651
Fax: 234 0653

Chairman's Statement

بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيْمِ

Bismillahir Rahmanir Rahim
Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of National Insurance Company Berhad for the financial year ended 31st December 2019.

Financial Overview

Despite challenging economic conditions, National Insurance continued to achieve excellent financial results in 2019.

Net Profit before tax in 2019 was B$4.13 million while net profit after tax was B$3.37 million representing a return of 17.9% on shareholders' equity.

Gross Written Premium in 2019 was B$22.16 million a decrease of 16.3% from the previous year mainly due to a decrease in fronting engineering business. Net Written Premium however increased to B$18.4 million an increase of 6.4% from 2018.

National Insurance's loss ratio in 2019 was 36.8% compared to 34.9% in 2018 mainly due to increase in common law claims from our Workers' Compensation business. These claims were partly offset by an improved loss ratio in our Fire and Motor business.

Our combined ratio increased slightly from 78% to 80% due to increase in net claims incurred and net commission expenses.

Investment income in 2019 was B$0.62 million.

Market Leader
National Insurance remains a market leader in Brunei's conventional general insurance market in 2019 with a market share of approximately 27.1% (in terms of Gross Written Premium).

Dividend
Based on the financial results achieved in 2019, the accumulated profits from previous years as well as the adequacy of National Insurance's solvency margin, the Board of Directors propose a dividend of 30 cents per ordinary share for the year ended 31 December 2019 together with a special dividend of 10 cents per ordinary share amounting to a total distribution to shareholders of B$ 3.2 million for the year.

Economic Outlook
The Board of Directors expects 2020 to be exceptionally challenging for the Brunei economy in the light of the sharp business downturn arising from the impact of the COVID-19 pandemic. This downturn is further compounded by the recent sharp fall in oil prices which is expected to negatively affect spending by the Brunei government and the oil and gas industry.

While the management of National Insurance is confident of maintaining the company's leadership position in the Brunei market, the Board of Directors wishes to advise company shareholders that expectations as to profitability and dividends in 2020 and beyond may need to be adjusted downwards in the light of foreseeable business conditions.

Corporate Social Responsibility
National Insurance continued to actively support local charities. In 2019 the company made special contributions to La Vida, a local charity for needy children with special needs.

Appreciation
During 2019, National Insurance celebrated its 50th year anniversary and its growth from very small beginnings to becoming today - the largest and most successful general insurance company in Brunei recognized by the local market as the preferred conventional insurance company.

On behalf of the Board of Directors, I would like to take this opportunity to recognize and thank all who have contributed towards making National Insurance what it is today. I wish to specially recognize our outstanding management team and staff for their commitment, hard work and dedication. I would like also to express our gratitude to our valued customers, agents and brokers for their continued support and contribution to our success.

As always, I would like to acknowledge and thank to the Autoriti Monetari Brunei Darussalam (AMBD) as well as to the Brunei Insurance and Takaful Association (BITA) for their guidance and contribution to the development of the local insurance industry.

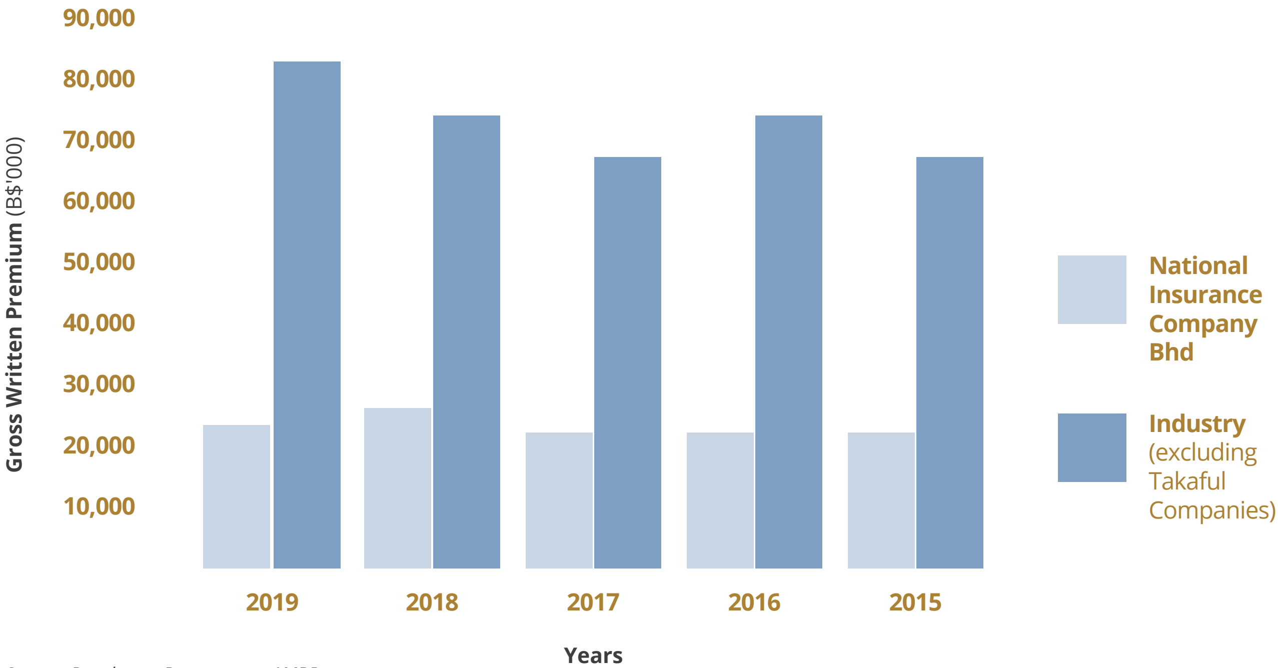
Wabillahit taufit wal-Hidayah Wassalamualaikum Warahmatullahi Wabarakatuh

YAM Pengiran Muda
Abdul Qawi
Chairman

Summary of Operation for Five Years

	2019	2018	2017	2016	2015
	B$'000	B$'000	B$'000	B$'000	B$'000
Gross written premium	22,162	26,486	19,741	20,553	20,639
Net written premium	18,396	17,296	15,237	15,265	14,925
Underwriting profit	3,441	3,529	3,562	2,999	2,741
Investment & other income	692	487	519	584	449
Profit before tax	4,133	4,016	4,081	3,583	3,190
Profit after tax	3,366	3,321	3,376	2,898	2,631
Shareholders' equity	18,832	18,666	17,742	16,760	15,455
Net technical reserve	24,616	23,074	21,696	21,898	20,060
Total assets	61,956	58,935	50,351	50,313	46,935
Dividend per share (cents)	30	30	30	30	20
Special Dividend per share (cents)	10	10	-	-	-

Industry Gross Written Premium Over Five Years



Source: Regulatory Department, AMBD

Corporate Social Responsibility

Donation to Sekolah Rendah Benutan

National Insurance Company Berhad (NICB) organized a food drive donation, in collaboration with La Vida Berhad.

The General Manager of NICB, Mr Klaus Tomalla, presented the food donations from NICB, which included basic food necessities and sundries to thirteen students of Sekolah Rendah Benutan in Tutong.

In addition, students also received clothing and shoes donated by La Vida Berhad.

Donation to La Vida

The General Manager of NICB, Mr Klaus Tomalla, presented a cheque donation to La Vida Berhad, for their contributions in the artwork for the company's 2020 calendar.

The collaboration between NICB and the Beam Initiative by La Vida Berhad, showcased the abilities and creative talents of their differently-abled artists.

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 31st December 2019.

Principal activity

The principal activity of the Company is to underwrite fire, marine, motor and general insurances. There has been no significant change in the nature of this activity during the year.

Results

Profit for the year after taxation	**B$3,366,268**

In the opinion of the directors, the results of the operations of the Company during the year have not been affected by any item, transaction or event of a material and unusual nature.

Reserve

There were no transfers to reserve subsequent to year end and to the date of this report.

Dividend

During the year ended 31st December 2019, the Company paid final dividend of B$3,200,000 for the year ended 31st December 2018. The directors propose a final dividend of 30 cents per share and a special dividend of 10 cents per share amounting to B$3,200,000 for the year ended 31st December 2019.

Directors

The directors in office during the year and at the date of this report are:-

YAM Pengiran Muda Abdul Qawi (Chairman)

YAM Pengiran Kerma Raja Pg Dato Hj Kamarulzaman Bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali

Dato Paduka Timothy Ong Teck Mong (Deputy Chairman)

Kiyoshi Nakagawa (resigned on 1st April 2019)

Yoshio Motohashi (appointed on 1st April 2019)

Mark Barry Mitchell

Lisa Dato Paduka Hj Ibrahim

Paul Richard Hirschfield

S. Rashid Bin Hj A. Salam/Abd Salam

Stephen Ong Teck Soon (alternate director to Dato Paduka Timothy Ong Teck Mong)

Kolja Klawunn (alternate director to Mark Barry Mitchell)

Directors' Report (Cont'd)

Directors' interests in shares and debentures

During the year, the Company was not a party to any arrangements whose objects were to enable directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company except as stated below: -

	Shares registered in the name of director			
Name of director	**At the beginning of the year**	**Acquired**	**Sold**	**At the end of the year**
YAM Pengiran Muda Abdul Qawi	64,000	-	-	64,000
Dato Paduka Timothy Ong Teck Mong	108,000	-	-	108,000
YAM Pengiran Kerma Raja Pengiran Dato Haji Kamarulzaman	-	440,000	-	440,000

Directors' benefits

Since the end of the previous year, none of the directors of the Company has received or become entitled to receive a benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Other information

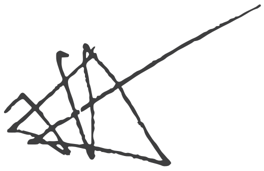
The directors report that:-

a) no circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; and
b) no contingent liabilities which have not been discharged have been undertaken by the Company in the year covered by the profit and loss account.

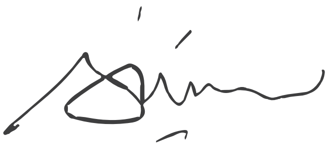
Auditors

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment.

On behalf of the Board,



Dato Paduka Timothy Ong Teck Mong
Director



YAM Pengiran Kerma Raja Pg Dato Hj Kamarulzaman Bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali
Director

Date: 26th March 2020

Statement of Corporate Governance

1) Introduction

The Company adopts corporate governance practices which are in conformity with Autoriti Monetari Brunei Darussalam's *Notice on Corporate Governance for Insurance Companies and Takaful Operators* (TIU/N-3/2017/7) issued on 11th August 2017.

2) Composition, Function and Conduct

a) Board Responsibilities

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing. This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public.

Detail of the Board Term of Reference is available for reference in the Company's website at www.national.com.bn/company profile (under the corporate governance section).

The contribution of individual directors will vary based on their qualifications and experience. However, collectively, the Board shall bring a balance of expertise, skills, experience and perspectives, taking into consideration the Company's strategy, risk profile and overall operations.

Board of Directors' Profile

YAM Pengiran Muda Abdul Qawi (Chairman, Non-Independent Non-Executive Director)

His Highness graduated with a Bachelor of Art in Politics with Business Studies from Queen Mary's and Westfield College, University of London.

His Highness Prince Abdul Qawi is the Chairman of Brunei Hotel, Supremo Management Services Sdn Bhd, National Insurance Company Berhad, QOS Sdn Bhd and Everon Sdn Bhd. From 2000 to 2011, His Highness was the Executive Deputy Chairman & CEO of the QAF Group of Companies. Prior to joining QAF, His Highness worked as a Research Officer in the Policy & Planning Department, Ministry of Foreign Affairs.

His Highness is Patron of the Young Entrepeneurs Association Brunei (YEAB). His Highness is also a member of CACCI (Confederation of Asia-Pacific Chambers of Commerce and Industry) and a member of the INSEAD East Asia Business Council.

YAM Pengiran Kerma Raja Pg Dato Hj Kamarulzaman Bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali (Non-Independent Non-Executive Director)

YAM Pengiran Kerma Raja Pengiran Haji Kamarulzaman graduated with a Bachelor of Science in Civil Engineering Brighton United Kingdom, Diploma in Sanitary Engineering, IHEE, Delft, Netherlands, Master of Business Administration, Oxford Brookes United Kingdom. He is a Chartered Engineer of United Kingdom and he has been a member of Institution of Civil Engineer since 1982 and in 2001 he was transferred as Fellowship member of Institution of Civil Engineer.

He is active as an engineering consultant in his consulting firm, KR Kamarulzaman and Associates. His career was mainly as government servant for over 33 years where he started as a Technical Assistant Engineer in PWD and was promoted to several senior posts within the government. In June 2000 till his retirement on April 2003, he was Director of General of Public Works.

Statement of Corporate Governance (Cont'd)

Dato Paduka Timothy Ong Teck Mong (Deputy Chairman, Non-Independent Non-Executive Director)
Dato Timothy Ong Teck Mong is a Brunei businessman and Chairman of Asia Inc Forum, a regional platform for policy and business dialogue which he founded in 2002.

Dato Ong is a board member of a number of leading Brunei and ASEAN companies including the Baiduri Bank Group and National Insurance Company in Brunei; YOMA Strategic Holdings listed on the Singapore stock exchange and PHINMA Inc, a leading Philippines enterprise.

He is a member of the Advisory Board of Prudential Financial (USA) a Governor of the Asian Institute of Management (AIM) and a Trustee of the Ramon Magsaysay Awards Foundation.

Dato Ong was Chairman of the Brunei Economic Development Board from 2005 to 2010 and Chairman of the APEC Business Advisory Council when Brunei was host of the APEC Summit in 2000.

He graduated with B.A. (Honours) from the Australian National University and M.Sc. (Distinction) from the London School of Economics.

Yoshio Motohashi (Non-Independent Non-Executive Director)
Yoshio Motohashi graduated with Bachelor's in Law from Waseda University in 1993. He being appointed as Executive Director MSIG Holdings (Asia) Pte Ltd. since April 2019.

Prior to joining MSIG, Yoshio held the position as a General Manager and Head of Planning & Profit Administration Team, Casualty Underwriting Department from year 2018 to 2019 and was a Head of Contingency & Engineering Team from year 2014 to 2018 with Mitsui Sumitomo Insurance (Japan) Co Ltd. He was also held a position as Manager from year 2008 to 2013 and he was as Executive Director and Chief Underwriting Officer from 2013 to 2014 with Mitsui Sumitomo Insurance Co. (Europe) Ltd.

He has been in the Insurance Industry for over 26 years.

Mark Barry Mitchell (Non-Independent Non-Executive Director)
Mark Barry Mitchell is Regional Chief Executive Officer (CEO) (Asia) at Allianz Global Corporate & Specialty SE (AGCS SE) since October 2014. He has over 34 years of experience in the insurance industry with 20 years based in Asia. He joined AGCS SE Hong Kong Branch as CEO Hong Kong & Greater China in January 2013.

Prior to joining Allianz, Mark held the position as CEO for Asia and Middle East at Royal & Sun Alliance Specialty in Singapore and CEO & Principal officer for Royal & Sun Alliance Insurance PLC Singapore and Labuan Branch from year 2008 to 2012. He was Non- Executive Director at Alamiya for Cooperative Insurance Company (a Kingdom of Saudi Arabia listed company) from year 2010 to 2011. He also worked as Chief Underwriter of Asia Pacific Zone Property, Machinery & Marine at Chubb Insurance Group.

Statement of Corporate Governance (Cont'd)

Lisa Dato Paduka Hj Ibrahim (Independent Non-Executive Director)
Lisa Dato Paduka Hj Ibrahim has a BA in Business Management from Leeds Metropolitan University in England.

She is the Executive Director and CEO of Arkitek Ibrahim, a leading architectural firm in Brunei Darussalam. She is also the co-founder of Creativo Sdn Bhd, a Brunei-based company providing Event Management, Market Entry, Capacity building and Business Consultancy services. She is also currently a life and business coach.

She has also had recent experience working in Singapore as a consultant under Service Distinction Consulting (Singapore), where she provided Project Management for an SG50 project as a Consultant in 2015.

In 2003, Lisa was presented with the Global Leader of Tomorrow Award from the World Economic Forum in Davos, Switzerland and in 2009, Lisa received a PIKB medal from His Majesty, the Sultan of Brunei. Both of these were in recognition for her contribution to the development of Youth Entrepreneurship in Brunei. This year she was conferred as Doctor Fellow of the Royal Institute of Entrepreneurs, Singapore.

Paul Richard Hirschfield (Independent Non-Executive Director)
Paul Richard Hirschfield has Ph.D from University of Cambridge, United Kingdom.

Dr Paul is currently the Managing Partner of Oculus Management Services, and a part of the Management Committee of AN-nur Harapan Sdn Bhd, a local charity which has developed Uniklearn, a training programme for young Bruneian adults with autism.

He is also a Module Leader in Human Resource Management and Business Law on the University of Chester's Business Degree Programmes and a Programme Leader for the BSC Business Degree Programme run by Laksamana College.

He acquired thorough knowledge of local insurance industry, regulations and claims practices and undertook work upon a variety of Corporate Structuring advisor during his work with Veerasamy Associates

S. Rashid Bin Hj A. Salam/Abd Salam (Independent Non-Executive Director)
S. Rashid Bin Hj A. Salam/Abd Salam is a Master of Business Administration (MBA) postgraduate from University of Nottingham, United Kingdom.

He is currently the Director and Shareholder of Jubilee Consulting Services Sdn Bhd.

He has over 20 years of technical, commercial and corporate organizational experience in the public sector and government linked companies with expansive knowledge in economic diversification, SME development and air transport infrastructure.

His previous Board of Director level appointments include Abacus International Holdings, Abacus International Pte Ltd, Abacus Brunei Bhd and Darussalam Holdings Sdn Bhd and senior executive appointments as Senior Vice President Commercial, Assistant CEO Marketing & Investment Promotion and Vice President Corporate roles in both government and private sector agencies with responsibilities spanning Foreign Direct Investment Promotion, SME Development, Corporate Strategising and Business Development.

He is an associate member of The Chartered Institute of Marketing, United Kingdom.

Statement of Corporate Governance (Cont'd)

Stephen Ong Teck Soon (alternate director to Dato Paduka Timothy Ong Teck Mong)
Stephen Ong Teck Soon is Executive Director of Teck Guan Holdings, mainly involved in Real Estate and Investments, and Hotel Associates Ltd.

He is Chairman of St Andrew's School, BSB; and also a Board member of Chung Hwa Middle School, BSB and the Brunei National Chamber of Commerce and Industry.

He has a Master of Business Administration (MBA) degree from University of Queensland, Australia; and the CFA certification in Finance, from the Institute of Chartered Financial Analysts, USA.

Kolja Klawunn (alternate director to Mark Barry Mitchell)

Kolja Klawunn is currently managing the Operations function for Allianz Global Corporate & Specialty SE in the Asia Pacific region with additional responsibilities to look into Operations Governance, Business Continuity Management and Real Estate & Operational Support from a regional perspective. In this capacity Kolja is responsible for leading and managing local Insurance Operations activities for the Region. Furthermore, he is leading and implementing Global Change Programs in cooperation with all stakeholders, incl. Market Management, Claims, Finance, UW, IT and Operational Business Transformation.

He has been in the Insurance industry for over 20 years. Before joining AGCS in 2016 in Singapore, Kolja was General Manager National Insurance Company Berhad for seven years and held various leadership positions within the Allianz organisation in Singapore as well as in Germany.

He holds a Master Degree in Business Administration from Ludwig Maximilian University (Munich, Germany).

b) Board Committees Responsibilities and Composition

Audit Committee
The primary objective of the Audit Committee is to assist the Board in ensuring reliable and transparent financial reporting, independently assess the integrity of organizational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulator, ensuring that corrective actions, where necessary, are taken in a timely manner to ensure the Company's operations run in an effective and efficient manner as well as safeguard Company's assets and stakeholders' interest.

The Audit Committee comprises of the following Directors:

Lisa Dato Paduka Hj Ibrahim
Paul Richard Hirschfield
S. Rashid Bin Hj A. Salam/Abd Salam

Statement of Corporate Governance (Cont'd)

c) Number of Meeting

The number of Board and Audit Committee meetings held during the financial year is set out below:

	Meeting of	
	Board of Directors	**Audit Committee**
Number of meetings held during the financial year	4	2
	Number attended	**Number attended**
YAM Pengiran Muda Abdul Qawi	4/4	-
YAM Pengiran Kerma Raja Pg Dato Hj Kamarulzaman Bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali	3/4	-
Dato Paduka Timothy Ong Teck Mong	4/4	-
Kiyoshi Nakagawa	0/1	
Yoshio Motohashi	3/3	-
Mark Barry Mitchell	4/4	-
Lisa Dato Paduka Hj Ibrahim	4/4	2/2
Paul Richard Hirschfield	4/4	2/2
S. Rashid Bin Hj A. Salam/Abd Salam	4/4	2/2

3) Internal Control framework

The Board exercises overall responsibility on the Company's internal controls and its effectiveness. The Board recognizes that risks cannot be eliminated completely; as such the systems and process put in place are aimed at minimizing and managing risk. The Company has established internal control which cover all levels of personnel and business process in accordance with ISO standards to ensure the Company's operations run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholder's interest. Continuous assessment of the effectiveness an adequacy of internal controls, which includes and independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner.

4) Qualitative Disclosure

Board of Directors and Senior Management remuneration

The Board has put in place a remuneration policy for Directors and Senior Management.

Detail of the Remuneration Policy is available for reference in the Company's website at www.national.com.bn/company profile (under the corporate governance section)

Statement of Corporate Governance (Cont'd)

5) Quantitative Disclosure

a) Directors' Remuneration

The Directors' remuneration and other emoluments during the financial years are as follows:

	B$
Directors' fees	66,000
Directors' bonus	65,500
	131,000

b) Remuneration of Senior Management and management in control functions

The remuneration and other emoluments of Senior Management and management in control functions during the financial years are as follows:

	B$
Fixed remuneration	496,845
Variable remuneration	151,410
	648,255

Statement of Compliance

In our opinion, the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereto are properly drawn up in accordance with the provision of the Companies Act, Cap 39 and International Financial Reporting Standards as issued by International Accounting Standards Board so as to exhibit a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended.

Dato Paduka Timothy Ong Teck Mong
Director

YAM Pengiran Kerma Raja Pg Dato Hj Kamarulzaman Bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali
Director

Date: 26th March 2020

Independent Auditor's Report

To the members of National Insurance Company Berhad

Opinion

We have audited the financial statements of **National Insurance Company Berhad** ("the Company"), which comprise the statement of financial position as at 31st December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

a) the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 ("the Act") and International Financial Reporting Standards according to the best of our information and the explanations given to us and as shown by the books of the Company.

b) we have obtained all the information and explanations we required.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the directors' report, statement of corporate governance and statement of compliance set out on pages 14 to 15, 16 to 21 and 22 respectively; and the background, mission and philosophy, ISO9001, directors, management team, shareholders, corporate information, chairman's statement, summary of operations for five years and corporate social responsibility included in the annual report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the members of National Insurance Company Berhad (cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Companies Act, Cap. 39 and International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

To the members of National Insurance Company Berhad (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young
Public Accountants

Kong Ee Ping
Registered Public Accountant

Brunei Darussalam
Date: 26th March 2020

Statement of Profit or Loss and Other Comprehensive Income

Year Ended December 31, 2019

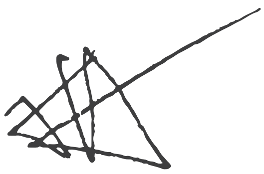
	Note	2019 $	2018 $
Income			
Gross written premiums	20(a)	22,162,381	26,486,075
Movement in gross provision for unearned premiums		(333,502)	(5,098,741)
Gross earned premiums	20(a)	21,828,879	21,387,334
Written premiums ceded to reinsurers	20(a)	(3,766,275)	(9,189,947)
Reinsurers' share of movement in provision for unearned premiums		(489,800)	4,061,779
Net earned premiums	20(a)	17,572,804	16,259,166
Add: Other revenue			
Commission income	6	511,093	1,213,036
Net investment income	7	623,928	440,036
Other income	8	67,775	46,662
Total income before claims and expenses		18,775,600	17,958,900
Less: Claims and expenses			
Gross claims incurred	20(b)	9,374,502	4,368,465
Reinsurers' share of claims (recovered)/incurred	20(b)	(2,911,727)	1,300,322
Net claims incurred	20(b)	6,462,775	5,668,787
Commission expense		4,394,479	4,639,941
Staff costs	9	1,961,654	1,879,664
Depreciation of property and equipment	12	106,876	112,937
Other operating expenses	10	1,716,656	1,642,001
Total claims and expenses		14,642,440	13,943,330
Profit before income tax		4,133,160	4,015,570
Less: Income tax expense	11	766,892	694,146
Profit for the year		3,366,268	3,321,424
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods			
Net change in fair value of available-for-sale financial assets		-	2,521
Total comprehensive income for the year, net of tax		3,366,268	3,323,945

See accompanying notes to financial statements.

Statement of Financial Position

December 31, 2019

	Note	31 December 2019 B$	31 December 2018 B$
ASSETS			
Property and equipment	12	1,188,928	1,280,195
Right-of-use assets	13	72,763	-
Deferred tax assets	14	1,465,816	1,335,060
Reinsurance assets	15	8,223,062	6,291,917
Short-term placements	16	36,844,262	37,487,951
Insurance receivables	17	5,570,268	6,693,856
Deposits, prepayments and other receivables	18	554,752	546,477
Cash and cash equivalents	19	8,035,658	5,299,383
Total assets		61,955,509	58,934,839
LIABILITES AND EQUITY			
Insurance contract provisions	20	32,838,648	29,366,257
Insurance payables	21	5,191,796	6,064,241
Other payables and accruals	22	4,213,674	3,969,218
Current tax payable	11	879,000	869,000
Total liabilities		43,123,118	40,268,716
Shareholder's equity			
Share capital	23	8,000,000	8,000,000
Fair value reserve		-	-
Accumulated profits		10,832,391	10,666,123
		18,832,391	18,666,123
Total liabilities and equity		61,955,509	58,934,839



Dato Paduka Timothy Ong Teck Mong
Director

YAM Pengiran Kerma Raja Pg Dato Hj Kamarulzaman Bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali
Director

See accompanying notes to financial statements.

Statement of Changes In Equity

Year Ended December 31, 2019

	Share capital	Fair value reserve	Accumulated profits	Total
	B$	B$	B$	B$
As at January 1, 2018	8,000,000	(2,521)	9,744,699	17,742,178
Payment of dividends at 30 cents per share in respect of previous financial year	-	-	(2,400,000)	(2,400,000)
Profit for the year	-	-	3,321,424	3,321,424
Other comprehensive income for the year	-	2,521	-	2,521
As at December 31, 2018	8,000,000	-	10,666,123	18,666,123
Payment of dividends 40 cents per share in respect of previous financial year	-	-	(3,200,000)	(3,200,000)
Profit for the year	-	-	3,366,268	3,366,268
Other comprehensive income for the year	-	-	-	-
As at December 31, 2019	8,000,000	-	10,832,391	18,832,391

See accompanying notes to financial statements.

Statement of Cash Flows

Year Ended December 31, 2019

	Note	2019	2018
		B$	B$
Operating activities			
Profit before income tax		4,133,160	4,015,570
Adjustments for:			
Depreciation of property and equipment	12	106,876	112,937
Depreciation of right-of-use asset	13	17,034	-
Loss on disposal of property and equipment	8	56	-
Interest income	7	(623,928)	(440,457)
Interest on lease liabilities	10	1,532	-
Net change in provision for insurance contracts		1,541,246	1,378,156
Amortisation of available-for-sale financial assets	7	-	421
Operating cash flows before movements in working capital		5,175,976	5,066,627
Changes in working capital			
Deposits, prepayments and other receivables		6,315	(24,999)
Insurance receivables		1,123,588	(4,363,154)
Short-term placements		643,689	(4,553,571)
Insurance payables		(872,445)	4,017,929
Other payables and accruals		171,127	(191,068)
Cash generated/(used in) from operations		6,248,250	(48,236)
Income tax paid		(887,648)	(902,801)
Net cash generated/(used in) from operating activities		5,360,602	(951,037)
Investing activities			
Proceeds from realization of available-for-sale financial assets		-	500,000
Interest received		609,338	370,071
Purchases of property and equipment	12	(15,720)	(35,943)
Proceeds on disposal of property and equipment		55	-
Net cash generated from investing activities		593,673	834,128
Financing activity			
Dividends paid		(3,200,000)	(2,400,000)
Interest on lease liabilities	10	(1,532)	-
Payment of principal portion of lease liabilities	22	(16,468)	-
Net cash used in financing activities		(3,218,000)	(2,400,000)
Net increase/(decrease) in cash and cash equivalents		2,736,275	(2,516,909)
Cash and cash equivalents at the beginning of the year	19	5,299,383	7,816,292
Cash and cash equivalents at the end of the year		8,035,658	5,299,383

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2019

1 GENERAL

National Insurance Company Berhad ("NICB") is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Units 12 &13, Block A, Regent Square, Simpang 150, Kampong Kiarong, Bandar Seri Begawan BE1318, Negara Brunei Darussalam. The financial statements are expressed in Brunei Dollars.

NICB was registered as a direct general insurer in 1969 to underwrite general insurance business. The principal activity of NICB is to underwrite fire, marine, motor, workmen's compensation and other general insurances. There has been no significant change in the nature of this activity during the year.

NICB operates only in Negara Brunei Darussalam and employed 43 employees as at December 31, 2019 (2018: 43 employees).

The financial statements of NICB for the year ended December 31, 2019 were authorised for issue by the Board of Directors on March 26, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Brunei Companies Act and International Financial Reporting Standards ("IFRS").

2.2 Basis of financial statement preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

NICB has applied the amendments to the standards which are effective for annual periods beginning on or after 1 January 2019. The adoption of these standards did not have significant effect on the financial performance or position of NICB.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, NICB takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of financial statement preparation (cont'd)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Adoption of new and revised standards

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Assets	**B$**
Right-of-use assets	21,763
Total assets	21,763
Liabilities	
Lease Liabilities	21,763
Total liabilities	21,763

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	**B$**
Operating lease commitments as at 31 December 2018	59,560
Weighted average incremental borrowing rate as at 1 January 2019	5.5%
Discounted operating lease commitments as at 1 January 2019	57,333
Less:	
Commitments relating to short-term leases	(29,258)
Commitments relating to leases of low-value assets	(6,312)
Lease liabilities as at 1 January 2019	21,763

The Company has lease contracts for its operating lease of certain office equipment and rental of premises. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2.7 Leases for the accounting policy prior to 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Adoption of new and revised standards (cont'd)

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.7 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

• Leases previously accounted for as operating leases
The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
• Used a single discount rate to a portfolio of leases with reasonably similar characteristics
• Relied on its assessment of whether leases are onerous immediately before the date of initial application
• Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
• Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

<u>IFRIC 23 Uncertainty over Income Tax Treatments</u>

IFRIC 23, issued in 2017 and effective for annual periods beginning January 1, 2019.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company considered and determined whether it has any uncertain tax positions. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Adoption of new and revised standards (cont'd)

At the date of authorisation of these financial statements, the following IFRSs, and amendments to IFRS that are relevant to NICB were issued but not effective:

IFRS 17 Insurance Contracts

In May 2017, the International Accounting Standard Board (IASB) issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for the contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies 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 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 the 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 rated 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
- 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 balance sheet
- 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 extend of risk arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. In November 2018 the International Accounting Standards Board ("IASB") proposed to delay the effective date by one year to 1 January 2022. The proposed deferral is included in the Exposure Draft issued by the IASB on 26 June 2019. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

On 17 March 2020, the IASB decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 Financial Instruments to enable them to implement both IFRS 9 and IFRS 17 at the same time.

The Company plans to adopt the new standard on the required effective date together with IFRS 9 (see Note 27). It is not practicable to provide a reasonable estimate of the effect of IFRS 17 until a detailed assessment has been completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Classification of contracts

Contracts under which NICB accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a 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 contracts may also transfer some financial risk.

NICB underwrites reinsurance contracts for primary insurance and other reinsurance companies on a facultative, proportional treaty and non-proportional treaty basis. These contracts are regarded as insurance contracts for the purposes of IFRS and are classified as such in these financial statements.

2.5 Insurance contracts

Premiums
Premium income in respect of direct insurance business is recognised upon inception of the risk regardless of the period of the policy. Premium income in respect of reinsurance business is recognised upon receipt of returns and advices from ceding company.

Gross written premiums comprise the premiums on contract entered into during the period, irrespective of whether they are related in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premium written do not include an estimate for pipeline premiums.

Commission expense
Commission expense represents those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts.

Provision for unearned premiums
The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent years. The provision for unearned premiums for all classes of business is calculated using the 1/365 method applied to the net premiums written during the year. The same methodology is applied for all classes of treaty proportional and non-proportional business as well as all classes of facultative business for reinsurance.

Liability adequacy test
The liability of NICB under insurance and reinsurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of insurance contract provisions for unexpired risks and insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss. At each reporting date, a liability adequacy test is undertaken.

Note 3 outlines the critical accounting estimates and judgments used in the valuation of the premium liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Insurance contracts (cont'd)

Claims

Claims incurred consist of claims and claims handling expenses paid during the year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provision for NICB's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported. Recoveries are assessed in a manner similar to the assessment of claims outstanding. Claims provisions for claims outstanding are discounted where there is a particular long period from incident to claims settlement and where a suitable claims pattern from which to calculate the discount exists.

Whilst the management considers that the provisions for claims are fairly stated on the basis of the information currently available for them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amount of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed annually.

Note 3 outlines the critical accounting estimates and judgments used in the valuation of the claim liabilities.

Reinsurance

NICB enters and assumes into reinsurance contracts in the normal course of business for the purpose of limiting its losses. Reinsurance arrangements do not relieve NICB from its direct obligations to its policyholders.

Premiums ceded and reinsurance commission income are presented in the statement of profit or loss and other comprehensive income on a gross basis.

Gross premiums and commissions including adjustments made during the year, are recorded based on statements or advices received from cedants and brokers relating to contracts incepting or renewed in underwriting year 2019 and prior years.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that NICB may not recover all amounts due and that the event has a reliably measurable impact on the amounts that NICB will receive from the reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurance are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

Commission income

Commission income comprises reinsurance commission received or receivable. Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs on the acquisition of underlying reinsurance contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial instruments

Financial assets and financial liabilities are recognised on NICB's statement of financial position when NICB becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expenses are recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain debt securities held by NICB are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Other receivables and deposits that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial instruments (cont'd)

The objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Derecognition of financial assets

NICB derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If NICB neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, NICB recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If NICB retains substantially all the risks and rewards of ownership of a transferred financial asset, NICB continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Classification as debt or equity

Financial liabilities issued by NICB are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial instruments (cont'd)

Financial liabilities

Financial liabilities consist of insurance payables and other payables. Insurance payables and other payables are initially measured at fair value, net of transaction cost, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

NICB derecognises financial liabilities when, and only when, NICB's obligations are discharged, cancelled or they expire.

2.7 Leases

Before 1 January 2019, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NICB as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Effective from 1 January 2019, the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the the lease term.

The right-of-use assets are also subject to impairment. Refer to accounting policies in Note 2.9 Impairment of non-financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Leases (cont'd)

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses Brunei's prime lending rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of certain office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	25%
Motor vehicles	-	25%
Office equipment, furniture and fittings	-	25%
Computerisation	-	25%
Leasehold building	-	over the lease term

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Impairment of non-financial assets

At the end of each reporting period, NICB reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, NICB estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.10 Provisions

Provisions are recognised when NICB has a present obligation (legal or constructive) where as a result of a past event, it is probable that NICB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.11 Revenue

The accounting policy in relation to the revenue from insurance contracts is disclosed in Note 2.5.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.12 Retirement benefit costs

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contribution 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 employee services in the current and preceding financial years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Retirement benefit costs (cont'd)

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Tabung Amanah Pekerja and Supplemental Contributory Pensions Fund (TAP and SCP), are dealt with as payments to defined contribution plans where NICB's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.13 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.14 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. NICB's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and NICB intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Foreign currency transactions and translation

The financial statements of NICB are measured and presented in Brunei Dollars, which is the currency of the primary economic environment in which NICB operates (its functional currency) and the presentation currency for the financial statements.

In preparing the financial statements of NICB, transactions in currencies other than NICB's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in profit or loss for the period.

2.16 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments with a maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, and in any future periods affected.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are discussed in below.

Process involved in determining premium liabilities

The methodology for the determining of premium liabilities is as follows:

- The unearned premiums are determined as set out in Note 2.5 on provision for unearned premiums The estimated claims that relate to this unearned premium amount, together with an allowance for future expenses including claims handling, policy maintenance expense and future cost of reinsurance form the best estimate of the Unexpired Risk Reserves ("URR").
- This URR is then compared to NICB's held unearned premium reserve, net of deferred acquisition costs and the higher of the two is the final provision for premiums liabilities.

NICB's provision for unearned premiums is higher than URR and hence no premium deficiency reserve is required.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

Process used to determine the assumptions for measuring claims liabilities

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen within a particular confidence level.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the end of the reporting period for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less the amount already paid. An additional provision for adverse deviation is then added on top of the Company's best estimate reserve value, so that they are expected to have a 75% probability of sufficiency.

The source of data used as inputs for the assumptions are typically internal to NICB, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information.

NICB pays particular attention to current trends. In early years, where there is insufficient information to make a reliable estimate of claims development, prudent assumptions are used.

The estimation of incurred but not reported ("IBNR") claims is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to NICB until many years after the occurrence of the event which gave rise to the claim.

Each notified claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provision estimation difficulties differ by class of business due to a number of reasons, including but not limited to:
- Differences in the terms and conditions of the insurance contracts;
- Differences in the complexity of claims;
- The severity of individual claims; and
- Difference in the period between the occurrence and reporting of claims.

The liability class of claims will typically display greater variation between initial estimates and the actual outcome because there is a greater degree of difficulty in estimating the IBNR provisions. For the other classes of business, claims are typically reported reasonably soon after the claim event, and hence tend to display lower levels of variability.

The cost of outstanding claims and the IBNR provisions are estimated using a range of actuarial projection methods. Such method extrapolates the development of paid and incurred claims for each accident year based upon the observed development of earlier years and expected loss ratios.

The key actuarial projection methods used, which remain unchanged from prior years, are:
- Paid Claims Development ("PCD") and Incurred Claims Development ("ICD") methods; and
- Incurred Bornheutter - Ferguson ("IBF") and Paid Bornheutter - Ferguson ("PBF") method.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

The results produced by these methods were compared and the selected method is based on what NICB deemed most appropriate for a particular class of business and incident period.

The PCD and ICD methods involved the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year for which the data is not yet fully developed to produce an estimated claim cost for each accident year. This method is appropriate for mature classes of business, which have a relatively stable claim development pattern, but is less appropriate for classes of business which do not have a claims development history.

The IBF method makes use of the ICD method and combines it with an assessment of the ultimate loss ratios i.e. ultimate claims divided by earned premium, for each class of business. For each accident year, the IBNR is calculated by the following formula:

(1 - 1/LDF) x initial expected loss ratio x earned premium

LDF is loss development factor and is used to adjust losses for growth in claims and IBNR.

Initial expected loss ratios for a particular class of business may be based upon general industry experience or based upon a combination of NICB's own experience and general industry experience. The IBF method is more appropriate for a class of business for which there is a lack of developed claims experience.

Large claims are generally assessed together and are measured on a case-by-case basis or projected separately in order to allow for possible distorting effects on the development and incidence of these large claims on the rest of the portfolio.

To the extent that these methods use historical claims development information, NICB assumes that the historical claims development pattern will be similar in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

Such reason includes:
- Economic, legal, political and social trends (resulting, for example, in a difference in expected levels of inflation);
- Changes in the mix of insurance contracts incepted; and
- The impact of large losses.

The assumption that has the greatest effect on the measurement of general insurance contract provisions is generally the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums.

Sensitivity analysis
The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities and premium liabilities as at December 31, 2019, including the provision for adverse deviation (this is referred to as the "based scenario" in the sensitivity analysis summary).

To test the sensitivity of the claim and premium liabilities, separately for gross and net of reinsurance recoveries, to the changes in the significant assumptions, simultaneous changes in the assumptions for all durations were considered. The level of change for the assumptions ranges from 1% to 5%. The result after each change in assumption is then compared to the base scenario, separately for gross and net of reinsurance recoveries.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

The sensitivity values shown are independent of changes to other assumptions items. In practice, a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

The sensitivity analysis was performed on the premiums and claims liabilities, both gross and net of reinsurance recoveries, based on changes in assumptions that may affect the level of liabilities. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full. The assumptions considered in the sensitivity analysis are as follows:

- Indirect Claims Handling Expenses ("ICHE");
- Maintenance Expense Rate;
- Provision for Adverse Deviation ("PAD"); and
- Ultimate Loss Ratio.

The results of the sensitivity analysis and the impact of the premium liabilities and claim liabilities are as follows:

	Net claim liabilities	
	2019	2018
Base scenario	15,456,356	14,738,412

Assumption	Change in Assumption	Increase / (Decrease) in net claim liabilities	
		2019 (B$'000)	2018 (B$'000)
Ultimate Loss Ratio	+ 5% points	1,036	948
Ultimate Loss Ratio	- 5% points	(1,036)	(948)
Indirect Claims Handling Expenses	+ 5% points	561	529
Indirect Claims Handling Expenses	- 5% points	(561)	(529)
Provision for Adverse Deviation	+ 5% points	488	483
Provision for Adverse Deviation	- 5% points	(488)	(483)

	Net premium liabilities	
	2019	2018
Base scenario	9,159,230	8,335,928

Assumption	Change in Assumption	Increase / (Decrease) in net premium liabilities	
		2019 (B$'000)	2018 (B$'000)
Ultimate Loss Ratio	+ 5% points	-	-
Ultimate Loss Ratio	- 5% points	-	-
Maintenance Expense Rate	+ 5% points	-	-
Maintenance Expense Rate	- 5% points	-	-
Provision for Adverse Deviation	+ 5% points	-	-
Provision for Adverse Deviation	- 5% points	-	-

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs (such as Brunei Corporate Lending/Financial Rates) when available.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT

4.1 Risk management objectives and policies for mitigating insurance risk

The main risks associated with the insurance products are underwriting risk, claims experience risk and concentration risk.

Underwriting risk

Underwriting risk is the risk that NICB does not receive adequate premiums for the risk it covers.

Underwriting risk is primarily being managed through:

- a sensible pricing strategy and pricing tools to implement the strategy;
- appropriate risk selection, adequate deductibles;
- product design;
- monitoring and reacting to changes in markets and the economic environment in which NICB is active; and
- an underwriting authority limit system that limits the maximum line any one underwriter can write per risk.

NICB seeks to minimise underwriting risk with a balanced mix and spread of business between classes of business.

Claims experience risk

Claims experience risk includes the variable incidence of natural catastrophe losses and the possibility that total reserves (referring to all insurance claims provision) will prove insufficient.

Claims experience risk is managed primarily through:

- Diversification: NICB underwriting strategy seeks to ensure a balanced portfolio across all product lines
- The use of actuarial methods to determine the provision for outstanding claims and other policy liabilities reserves, including those not yet reported.

Concentration risk

Concentrations of risk may arise from a single risk loss or a series of losses arising from one original cause, and this could involve a single reinsurance contract or through an accumulation of reinsurance contracts. Management tries to mitigate the concentration risk by underwriting a balanced mix and spread of business between various classes of business.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Risk management objectives and policies for mitigating insurance risk (cont'd)

The following tables disclose the concentration of gross and net written premiums in relation to the type of insurance risk accepted by NICB:

Lines of business	December 31, 2019 Gross written premium B$	December 31, 2019 Net written premium B$	December 31, 2018 Gross written premium B$	December 31, 2018 Net written premium B$
Marine	399,999	313,857	351,472	290,321
Fire	6,544,544	5,114,174	6,290,881	4,869,650
Motor	3,320,220	2,992,849	3,265,035	2,906,057
Liability	6,658,997	5,273,831	6,038,161	4,682,598
Workmen's compensation	4,593,004	4,156,650	4,503,905	4,000,804
Others	645,617	544,745	6,036,621	546,698
	22,162,381	18,396,106	26,486,075	17,296,128

Product features

NICB has a range of general insurance policies insuring a range of risks from the major classes of business: marine, fire, motor, liability, workmen's compensation and others.

Reinsurance strategy

NICB reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. This is done through proportional and non-proportional reinsurance treaties. In addition, NICB also reinsures through facultative reinsurance. The reinsurers satisfy the Mandatory Security Requirements of Allianz Group.

Claims development

The table details the claims development for accident years 2011 to 2019.

(i) Analysis of claims development - gross of reinsurance

	2011 B$'000	2012 B$'000	2013 B$'000	2014 B$'000	2015 B$'000	2016 B$'000	2017 B$'000	2018 B$'000	2019 B$'000	Total B$'000
Estimates of ultimate cumulative claims:										
At end of accident year			6,927	5,118	6,421	5,882	5,809	6,649	8,213	
One year later		5,895	5,298	4,415	5,827	5,460	5,636	6,956		
Two years later	6,815	6,280	5,642	4,261	5,608	4,963	5,856			
Three years later	6,746	6,867	6,113	4,795	5,195	5,413				
Four years later	6,461	7,244	6,774	4,603	5,850					
Five years later	6,383	8,530	6,093	4,660						
Six years later	6,409	8,530	6,111							
Seven years later	6,238	8,347								
Eight years later	6,134									
Current cumulative ultimate claims payment	6,134	8,347	6,111	4,660	5,850	5,413	5,856	6,956	8,213	57,540
Cumulative payments	(5,915)	(8,104)	(5,550)	(4,018)	(4,832)	(3,454)	(3,057)	(4,027)	(2,381)	(41,338)
Gross unpaid claims	219	243	561	642	1,018	1,959	2,799	2,929	5,832	16,202
Claims handling expenses										573
Discounting effect										(313)
Best estimates of outstanding claims										16,462
Best estimates of outstanding claims for prior years										443
Provision for adverse deviation										2,323
Total										19,228

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Risk management objectives and policies for mitigating insurance risk (cont'd)

(ii) Analysis of claims development - net of reinsurance

	2011 B$'000	2012 B$'000	2013 B$'000	2014 B$'000	2015 B$'000	2016 B$'000	2017 B$'000	2018 B$'000	2019 B$'000	Total B$'000
Estimates of ultimate cumulative claims:										
At end of accident year			5,034	4,374	5,001	5,059	4,798	5,957	6,392	
One year later		4,863	4,242	3,672	4,528	4,474	4,908	5,982		
Two years later	5,652	5,317	4,631	3,627	4,232	4,268	4,789			
Three years later	5,640	5,889	5,275	4,171	3,975	4,264				
Four years later	5,368	6,071	5,822	4,196	4,659					
Five years later	5,350	6,361	5,635	4,262						
Six years later	5,375	6,410	5,660							
Seven years later	5,501	6,227								
Eight years later	5,397									
Current cumulative ultimate claims payment	5,397	6,227	5,660	4,262	4,659	4,264	4,789	5,982	6,392	47,632
Cumulative payments	(5,178)	(5,984)	(5,118)	(3,612)	(3,749)	(2,780)	(2,445)	(3,543)	(2,340)	(34,749)
Net unpaid claims	219	243	542	650	910	1,484	2,344	2,439	4,052	12,883
Claims handling expenses										572
Discounting effect										(259)
Best estimates of outstanding claims										13,196
Best estimates of outstanding claims for prior years										323
Provision for adverse deviation										1,937
Total										15,456

4.2 Financial instruments, financial risk and capital risk management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2019 B$	2018 B$
Financial assets		
Loans and receivables (including cash and cash equivalents)		
- Cash and cash equivalents	8,035,658	5,299,383
- Short term placements	36,844,262	37,487,951
- Other receivables (excluding prepayments)	426,723	414,477
- Insurance receivables	5,570,268	6,693,856
	50,876,911	49,895,667
Available-for-sale financial assets	-	-
	50,876,911	49,895,667
Financial liabilities		
Insurance payables	5,191,796	6,064,241
Other payables and accruals (excluding prepaid premiums and lease liabilities)	4,103,326	3,943,464
Amortised cost	9,295,122	10,007,705

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk managementk (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

NICB enters into offsetting, enforceable master netting arrangements with its reinsurers. However as at the year end and in the prior year end, there were no financial instruments being offset on the statement of financial position.

(c) Financial risk management policies and objectives

NICB is exposed to financial risk through its financial assets and financial liabilities. In particular, the financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk – which consist of interest rate risk and foreign currency risk.

(i) Credit risk management

Credit risk represents the exposure to the risk that any of NICB's business partners should fail to meet their contractual obligations (mainly relating to insurance and investment transactions). NICB views the management of credit risk as a fundamental and critical part of the operations and therefore adopts a very selective policy as regards to the choice of its business partners, in particular its reinsurers. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to NICB. Allowances are set aside in the financial accounts for non-recoverability due to the default by the business partners, in line with the established company policy.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the statement of financial position, although in the case of reinsurance asset, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by other financial liabilities with the same counterparty.

In respect of investment securities, NICB limits its credit risk exposure by investing in liquid securities with counterparties that have sound credit ratings. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(i) Credit risk management (cont'd)

At the end of the reporting period, there is no significant concentration of credit risk and exposures are well spread.NICB's exposure to credit risk relating to its financial assets is summarised below:

	Grade* (BBB- to AAA)	Not rated	Past due but not impaired	Total
2019	**B$**	**B$**	**B$**	**B$**
Cash and cash equivalents	8,029,799	5,859	-	8,035,658
Other receivables	395,646	31,077	-	426,723
Short-term placements	36,844,262	-	-	36,844,262
Insurance receivables	-	5,349,566	220,702	5,570,268
	45,269,707	5,386,502	220,702	50,876,911
2018				
Cash and cash equivalents	5,293,513	5,870	-	5,299,383
Other receivables	381,056	33,421	-	414,477
Short-term placements	37,487,951	-	-	37,487,951
Insurance receivables	-	6,519,536	174,320	6,693,856
	43,162,520	6,558,827	174,320	49,895,667

* Based on public ratings assigned by external rating agencies i.e.: Standard & Poor and Moody's.

Age analysis of financial assets past-due but not impaired:

	4 mths to 6 mths	> 6 mths	Total
2019	**B$**	**B$**	**B$**
Receivables arising from insurance contracts	208,356	-	208,356
Receivables arising from reinsurance contracts	12,346	-	12,346
	220,702	-	220,702
2018			
Receivables arising from insurance contracts	162,072	-	162,072
Receivables arising from reinsurance contracts	12,248	-	12,248
	174,320	-	174,320

Receivables from insurance and reinsurance contracts amounting to B$308,041 and B$748,468 (2018: B$289,142 and B$816,758), respectively have been impaired and an allowance has been to made to recognize this impairment.

NICB has not recognised an allowance for doubtful receivables for the remaining financial assets as there has not been a significant change in credit quality and the amounts are still considered recoverable.

NICB's overall strategy remains unchanged from 2014.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(ii) *Liquidity risk management*

An important aspect of NICB's management of assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. NICB maintains cash and liquid deposits to meet these demands on a daily basis. In normal circumstances, the majority of claims are settled with the bank balances and cash deposits available.

Non-derivative financial liabilities and insurance liabilities

The following tables detail the remaining contractual maturity for financial liabilities and insurance liabilities that have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which NICB can be required to pay. The table includes both interest and principal cash flow.

	On demand or within 1 year	Within 2 to 5 years	Total
2019	B$	B$	B$
Insurance contract provision			
net of reinsurers' shares	24,615,586	-	24,615,586
Insurance payables	2,849,126	2,342,670	5,191,796
Financial liabilities:			
- Non-interest bearing	1,503,033	2,600,293	4,103,326
Lease Liabilities	43,078	30,251	73,329
2018			
Insurance contract provision			
net of reinsurers' shares	23,074,340	-	23,074,340
Insurance payables	2,784,503	3,279,738	6,064,241
Financial liabilities:			
- Non-interest bearing	1,391,447	2,552,017	3,943,464
Lease Liabilities	-	-	-

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(ii) Liquidity risk management (cont'd)

Non-derivative financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where NICB anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial positions.

	Average effective Interest Rate	Within 1year	Within 2 to 5 years	After 5 years	Adjustment	Total
2019	**%**	**B$**	**B$**	**B$**	**B$**	**B$**
Loans and receivables						
- Cash and cash equivalents	0.14%	8,035,658	-	-	-	8,035,658
- Short-term placements	1.71%	35,426,662	2,160,110	-	-	37,586,772
- Other receivables		31,077	-	-	-	31,077
Insurance receivables		3,093,732	2,476,536	-	-	5,570,268
		46,587,129	4,636,646	-	-	51,223,775
2018						
Loans and receivables						
- Cash and cash equivalents	0.14%	5,299,383	-	-	-	5,299,383
- Short-term placements	1.36%	36,487,951	1,000,000	-	-	37,487,951
- Other receivables		379,643	34,834	-	-	414,477
Insurance receivables		3,226,705	3,467,151	-	-	6,693,856
		45,393,682	4,501,985	-	-	49,895,667

(iii) Interest rate risk management

NICB's exposure to interest rate risk relates primarily to the investment portfolio, which includes debt securities with active markets and deposit with banks. NICB has cash balances placed with reputable banks and financial institutions or invested in funds which generate interest income for NICB. NICB manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

NICB does not use derivative financial instruments to hedge its interest rate risks. The summary quantitative data of NICB's interest-bearing financial instruments can be found in Note 4.2(ii). The impact of change of interest rate is insignificant. Therefore, no disclosure note on sensitivity analysis.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(iv) *Foreign currency risk management*

NICB undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of NICB's foreign currency denominated monetary assets and monetary liabilities as at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	2019	2018
	$	$	$	$
USD	5,245,730	5,697,698	3,474,190	4,364,562
MYR	16,014	15,240	8,574	8,719

Foreign currency sensitivity analysis

NICB is mainly exposed to the United States Dollar and Malaysian Ringgit.

The following table details NICB's sensitivity to a 5% increase and decrease in the Brunei Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit or equity where the Brunei Dollar strengthens 5% against the relevant currency. For a 5% weakening of the Brunei Dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	USD Impact		MYR Impact	
	2019	2018	2019	2018
Profit or loss	88,577	66,657	372	326
Equity	0.47%	0.36%	0%	0%

4.3 Fair value of financial assets and financial liabilities

NICB considers the carrying amounts of cash and cash equivalents, insurance and other receivables, and other liabilities to approximate their respective fair values due to the relatively short-term maturity of these financial instruments and due to the fact that effect of discounting would be insignificant. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets are determined by standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

All the financial instruments are measured at fair value on a recurring basis. There are no financial liabilities that are measured at fair value. There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in 2019 and 2018.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.4 Capital risk management policies and objectives

NICB reviews its capital structure to ensure that it will be able to continue as a going concern and comply with the regulators' Margin of Solvency. As at 31st December 2019, NICB complied with the regulators' requirements on Margin of Solvency. The capital structure of NICB comprises share capital and retained earnings. NICB's overall strategy remains unchanged from 2014.

5 RELATED PARTY TRANSACTIONS

NICB enters into transaction with related companies in the normal course of business.

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, NICB had the following significant transactions with its related companies:

	2019	2018
	B$	B$
Interest income from bank and fixed deposit	125,036	136,574

Key management personnel

Key management personnel of NICB are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and general manager are considered as key management personnel of NICB.

Short-term employee benefits paid/payable to key management personnel (included in staff costs) was B$386,678 (2018: B$304,198).

Other related party transactions

Allianz Global Corporate & Specialty SE (an entity which owns 25% of NICB and which has significant influence over the Company) offers management services to NICB. During the year, NICB paid a total of B$165,000 (2018: B$165,000) as management fees to this entity (Note 10). Other than this there were no material transactions with the entity.

Other than the amounts paid to BruCapital Holdings Sdn Bhd as consultancy fees (Note 10), there were no other material related party transactions during the year.

6 COMMISSION INCOME

	2019	2018
	B$	B$
Reinsurance commission income	511,093	1,213,036

7 NET INVESTMENT INCOME

	2019	2018
Interest income from	B$	B$
- bank deposits	623,928	438,546
- debt securities	-	1,911
Amortisation of available-for-sale financial assets	-	(421)
	623,928	440,036

8 OTHER INCOME

	2019	2018
	B$	B$
Miscellaneous income	68,304	49,238
Loss on disposal of property and equipment	(56)	-
Foreign exchange loss	(473)	(2,576)
	67,775	46,662

9 STAFF COSTS

Included in staff costs are contributions to statutory defined contribution schemes of B$77,689 (2018: B$74,883).

10 OTHER OPERATING EXPENSES

	2019	2018
	B$	B$
Administrative expenses	940,065	977,881
Auditor's remuneration	60,626	60,406
Directors remuneration	131,000	90,500
Management fee expense paid to a related company (Note 5)	165,000	165,000
Professional fees	103,214	80,602
Consultancy fee paid to a related company (Note 5)	78,000	78,000
Marketing expenses	206,911	115,111
Bank charges	34,667	30,906
Interest on lease liabilities (Note 22)	1,532	-
Depreciation expense of right-of-use assets (Note13)	17,034	-
Expense relating to leases of low-value assets	6,139	-
Unrealised foreign exchange loss/(gain)	21,859	(26,390)
(Recoveries)/Allowance for doubtful accounts, net of recoveries (Note 17)	(49,391)	69,985
	1,716,656	1,642,001

11 INCOME TAX

	2019	2018
	B$	B$
Taxation in respect of current year's profit	879,000	869,000
Under/(Over) provision of income tax in previous year	18,648	(2,199)
Deferred tax benefits recognized (Note 14)	(130,756)	(172,655)
	766,892	694,146

Relationship between tax expense and accounting profit:-

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:-

	2019	2018
	B$	B$
Profit before income tax	4,131,204	4,015,570
Tax calculated at the rate of 18.5% (2018: 18.5%) on the first B$100,000 at one-quarter of the full rate, the next B$150,000 at one-half of the full rate and the remaining profit at the full rate	736,522	715,131
Adjustments:		
Non-deductible expenses	4,528	53,188
Further deduction	(14,372)	(13,853)
Capital allowances	(3,241)	(30,131)
Others	24,807	(27,990)
Provision for taxation in respect of current year's profit	748,244	696,345
Under/(Over) provision of income tax in previous year	18,648	(2,199)
Tax expense charged to profit and loss account	766,892	694,146

	2019	2018
	B$	B$
Provision for taxation:		
Balance brought forward	869,000	905,000
Tax paid	(887,648)	(902,801)
Under/(Over) provision of income tax in previous year	18,648	(2,199)
Provision for taxation in respect of current year's profit	879,000	869,000
Balance carried forward	879,000	869,000
Deferred tax assets:		
Balance brought forward	1,335,060	1,162,405
Deferred tax benefits recognized	130,756	172,655
Balance carried forward	1,465,816	1,335,060

12 PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor vehicles	Office equipment, furniture and fittings	Computeri-sation	Leasehold Building	Total
	B$	B$	B$	B$	B$	B$
Cost:						
At January 1, 2018	392,733	242,442	1,335,534	1,002,866	1,350,000	4,323,575
Additions	-	-	15,647	20,296	-	35,943
Disposal	-	-	(1,667)	(1,004)	-	(2,671)
At December 31, 2018	392,733	242,442	1,349,514	1,022,158	1,350,000	4,356,847
Additions	-	-	12,012	3,708	-	15,720
Disposal	-	-	(7,884)	(3,889)	-	(11,773)
At December 31, 2019	392,733	242,442	1,353,642	1,021,977	1,350,000	4,360,794
Accumulated depreciation:						
At January 1, 2018	392,733	242,442	1,257,031	845,777	228,403	2,966,386
Depreciation	-	-	37,463	52,974	22,500	112,937
Disposal	-	-	(1,667)	(1,004)	-	(2,671)
At December 31, 2018	392,733	242,442	1,292,827	897,747	250,903	3,076,652
Depreciation	-	-	35,144	49,232	22,500	106,876
Disposal	-	-	(7,852)	(3,810)	-	(11,662)
At December 31, 2019	392,733	242,442	1,320,119	943,169	273,403	3,171,866
Carrying amount:						
At December 31, 2019	-	-	33,523	78,808	1,076,597	1,188,928
At December 31, 2018	-	-	56,687	124,411	1,099,097	1,280,195

The gross carrying amount of fully depreciated property and equipment that is still in use are amounted to B$2,700,979 (2018:B$2,653,950).

13 RIGHT-OF-USE ASSETS

The carrying amounts of right-of-use assets recognised and the movements during the period:

	2019	2018
	B$	B$
As at 1 January 2019	21,763	-
Additions	68,034	-
Depreciation expenses (Note 10)	(17,034)	-
As at 31 December 2019	72,763	-

The Company had total cash outflow for leases of B$18,000 in 2019. The Company also had non-cash additions to right-of-assets and lease liabilities of B$68,034.

14 DEFERRED TAX ASSETS

The following are the major deferred tax assets and (liabilities) recognised by NICB and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation	Available for sale investments	Incurred but not reported	Total
	B$	B$	B$	B$
At January 1, 2018	76,398	(467)	1,086,474	1,162,405
(Reversal)/ Charged to profit				
or loss for the year	(40,660)	467	212,848	172,655
At December 31, 2018	35,738	-	1,299,322	1,335,060
At January 1, 2019				
Charged to profit or loss for the year	-	-	130,756	130,756
At December 31, 2019	35,738	-	1,430,078	1,465,816

Certain deferred tax assets and liabilities have been offset in accordance with NICB's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2019	2018
	B$	B$
Deferred tax assets	1,465,816	1,335,060

15 REINSURANCE ASSETS

	2019	2018
	B$	B$
Reinsurer's share of unearned premiums (Note 20)	4,451,844	4,941,644
Reinsurer's share of insurance claims (Note 20)	3,771,399	1,350,273
	8,223,243	6,291,917

The carrying amount disclosed above is a reasonable approximation of fair value.

16 SHORT-TERM PLACEMENTS

	2019	2018
	B$	B$
Short-term placements	36,844,262	37,487,951

NICB places the above amounts with locally licensed banks in Brunei. The short-term placements have tenures ranging from more than 3 months to 60 months.

Short-term placements include B$3,500,706 (2018: B$3,466,238) held by NICB as security deposit for credit terms granted to policyholders in respect of labour guarantees and performance bonds (Note 26).

NICB's short term placements which are not denominated in its functional currency are as follows:

	2019	2018
	B$	B$
Denominated in:		
United States Dollars	1,097,206	1,090,574

17 INSURANCE RECEIVABLES

	2019	2018
	B$	B$
Receivables arising from insurance contracts	5,696,177	6,925,633
Receivables arising from reinsurance contracts	930,600	874,123
	6,626,777	7,799,756
Allowance for doubtful insurance receivables:		
- insurance contracts	(308,041)	(289,142)
- reinsurance contracts	(748,468)	(816,758)
	(1,056,509)	(1,105,900)
	5,570,268	6,693,856

The average credit period is 30 days to 90 days (2018: 30 days to 90 days). No interest is charged on the overdue outstanding insurance receivables.

NICB has provided fully for all receivables over 6 months based on estimated irrecoverable amounts determined by reference to past default experience.

Movement in the allowance for doubtful debts:

	2019	2018
	B$	B$
Balance at beginning of the year	1,105,900	1,035,915
(Decrease)/Increase in allowance recognised in profit or loss (Note 10)	(49,391)	69,985
Balance at end of the year	1,056,509	1,105,900

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	B$	B$
Accrued interest receivable:		
- Fixed deposits and interest on bank balances	395,646	381,056
Deposits	24,697	24,697
Prepayments	128,029	132,000
Sundry receivables	5,907	6,150
Withholding tax recoverable	473	2,574
	554,752	546,477

19 CASH AND CASH EQUIVALENTS

	2019	2018
	B$	B$
Cash in banks and on hand	8,035,658	5,299,383

NICB's cash and cash equivalents which are not denominated in its functional currency are as follows:

	2019	2018
	B$	B$
Denominated in:		
United States Dollars	577,885	124,485

20 INSURANCE CONTRACTS PROVISIONS

	2019	2018
	B$	B$
Provision for unearned premiums		
Gross	13,611,074	13,277,572
Reinsurance (Note 15)	(4,451,844)	(4,941,644)
Net	9,159,230	8,335,928
Provision for insurance claims		
Gross	19,227,574	16,088,685
Reinsurance (Note 15)	(3,771,218)	(1,350,273)
Net	15,456,356	14,738,412
Current liabilities		
Provision for unearned premiums	13,611,074	13,277,572
Provision for insurance claims:		
Claims incurred but not reported	11,136,336	9,074,198
Claims admitted or intimated but not paid	8,091,238	7,014,487
	19,227,574	16,088,685
	32,838,648	29,366,257

(a) Analysis of movements in provision for unearned premiums

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	B$	B$	B$	B$	B$	B$
At 1 January	13,277,572	(4,941,644)	8,335,928	8,178,831	(879,865)	7,298,966
Premiums written	22,162,381	(3,766,275)	18,396,106	26,486,075	(9,189,947)	17,296,128
Premiums earned	(21,828,879)	4,256,075	(17,572,804)	(21,387,334)	5,128,168	(16,259,166)
At 31 December	13,611,074	(4,451,844)	9,159,230	13,277,572	(4,941,644)	8,335,928

(b) Analysis of movements in provision for insurance claims

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	B$	B$	B$	B$	B$	B$
At 1 January	16,088,685	(1,350,273)	14,738,412	17,318,061	(2,920,843)	14,397,218
Claims paid	(6,235,613)	490,782	(5,744,831)	(5,597,841)	270,248	(5,327,593)
Claims (recovered)/ incurred	9,374,502	(2,911,727)	6,462,775	4,368,465	1,300,322	5,668,787
At 31 December	19,227,574	(3,771,218)	15,456,356	16,088,685	(1,350,273)	14,738,412

21 INSURANCE PAYABLES

	2019	2018
	B$	B$
Payables arising from insurance contracts	638,628	604,090
Payables arising from reinsurance contracts	4,553,168	5,460,151
	5,191,796	6,064,241

Insurance payables principally comprise amounts outstanding from insurance and reinsurance contracts. NICB has financial risk management policies in place to ensure that all payables are within the credit time frame.

22 OTHER PAYABLES AND ACCRUALS

	2019	2018
	B$	B$
Accrued expenses	784,041	731,180
Dividend payable	101,247	63,546
Collateral deposits held	2,600,293	2,552,017
Sundry payables	302,745	286,721
Prepaid premiums	37,019	25,754
Lease liabilities	73,329	-
Deposits received	315,000	310,000
	4,213,674	3,969,218

Accrued expenses principally comprise accruals for operating expenses. Collateral deposits are held in respect of insurance bonds issued on behalf of customers and for credit terms granted to customers.

Set out below are the carrying amounts of lease liabilities (included under other operating expenses) and the movements during the period:

	2019
	B$
As at 1 January 2019	21,763
Additions	68,034
	89,797
Accretion of interest (Note 10)	1,532
Payments	(18,000)
	(16,468)
As at 31 December 2019	73,329
Current	43,078
Non-current	30,251
	73,329

23 SHARE CAPITAL

	2019	2018
	B$	B$
Authorised :		
100,000,000 ordinary shares of B$1.00 each	100,000,000	100,000,000
Issued and fully paid:		
At the beginning and at the end of the year	8,000,000	8,000,000

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by NICB.

24 DIVIDENDS

The directors have proposed a final dividend of 30 cents per share and a special dividend of 10 cents per share amounting to B$3,200,000 which will be submitted for formal approval at the forthcoming Annual General Meeting. As such, the proposed dividend has not been recognised as a liability as at December 31, 2019.

25 OPERATING LEASE COMMITMENTS

NICB as lessee

	2019 B$	2018 B$
Minimum lease payment recognised as an expense during the year	-	55,143

Future minimum lease payments under operating leases are as follows:

	2019 B$	2018 B$
Within one year	-	46,920
Beyond one year	-	12,640
	-	59,560

Operating lease payments represent rental payable by NICB for its certain office equipment and accommodation rental for the General Manager. Leases are negotiated for an average of 36 months and rentals are fixed for an average of 2 years.

26 CONTINGENT LIABILITIES

The gross amounts of the contingent liabilities of the Company are as follows:

	2019 B$	2018 B$
Performance bonds and banker's guarantees provided on behalf of third parties	1,826,308	2,962,952
Other contingent liabilities:		
Banker's guarantee in respect of statutory deposit required by Section 5(1) of the Motor Vehicles Insurance (Third Party Risks) Act, Cap. 90	1,000,000	1,000,000
Banker's guarantee in respect of statutory deposit under Section 16, Insurance Order 2006	1,000,000	1,000,000
Banker's guarantee to Commissioner of Labour provided in respect of NICB's employees' repatriation expenses	4,800	4,800
Company's guarantee to Commissioner of Labour provided in respect of insured's employees' repatriation expenses	45,430,600	25,136,700
	49,261,708	30,104,452

The performance bonds and banker's guarantees are secured by NICB's short-term deposits and placements placed with various financial institutions amounting to $3,500,706 (2018: B$3,466,238).

27 CONTINUING ADOPTION OF AMENDMENTS TO IFRS 4 APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS

IFRS 9 Financial Instruments
IFRS 9, issued in July 2014 and effective for annual periods beginning January 1, 2018, introduced new requirements for the classification and measurement of financial assets.

Key requirements of IFRS 9:
- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The Company plans to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contracts standards (IFRS 17) or 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

The Company has concluded that it qualifies for the temporary exemption from IFRS 9 including its carrying amount of its liabilities from contracts within the scope of IFRS 4 was more than 90 per cent of the total carrying amount of its liabilities connected for the year ended 31 December 2015.

The Company does not have financial assets that do not have low credit risk at the end of the reporting period (2018 : B$ Nil).

Financial assets meet solely payments of Principal and interest (SPPI) are as follow:

	2019	**2018**
	B$	**B$**
Cash and cash equivalent	8,035,658	5,299,383
Short-term placements	36,844,262	37,487,951
Other receivables (excluding prepayment)	426,723	414,477
Insurance receivables	5,570,268	6,693,856
	50,876,911	49,895,667

Credit risk grades for the above financial assets that meet SPPI at the end of the reporting period can be found in Note 4.2.c(i)

28 SEGMENT REVENUE AND RESULTS

The following is an analysis of NICB's revenue and results from continuing operations by class of business.

2019	Marine B$	Fire B$	Motor B$	Liability B$	Workmen's compensation B$	Others B$	Total B$
Income							
Gross written premiums	399,999	6,544,544	3,320,220	6,658,997	4,593,004	645,617	22,162,381
Movement in gross provision for unearned premiums	(4,797)	(217,016)	(25,418)	(714,888)	(13,184)	641,801	(333,502)
Gross earned premiums	395,202	6,327,528	3,294,802	5,944,109	4,579,820	1,287,418	21,828,879
Written premiums ceded to reinsurers	(86,142)	(1,430,370)	(327,371)	(1,385,166)	(436,354)	(100,872)	(3,766,275)
Reinsurers' share of movement in provision for unearned premiums	(1,784)	98,379	(2)	42,853	-	(629,246)	(489,800)
Net earned premiums	307,276	4,995,537	2,967,429	4,601,796	4,143,466	557,300	17,572,804
Other revenue							
Commission income	11,623	214,171	-	278,284	-	7,015	511,093
Net investment income	11,106	176,695	111,746	147,185	158,166	19,030	623,928
Other income	1,206	19,193	12,139	15,988	17,181	2,068	67,775
Total income before claims and expenses	331,211	5,405,596	3,091,314	5,043,253	4,318,813	585,413	18,775,600
Claims and expenses							
Gross claims incurred	1,138	1,531,213	29,787	471,368	7,349,627	(8,631)	9,374,502
Reinsurers' share of claims incurred / (recovered)	-	(1,267,765)	214,733	76,457	(2,039,697)	104,545	(2,911,727)
Net claims incurred	1,138	263,448	244,520	547,825	5,309,930	95,914	6,462,775
Commission expense	59,973	1,331,537	609,632	1,219,951	1,078,018	95,368	4,394,479
Staff costs	58,633	464,094	316,356	545,498	467,387	109,686	1,961,654
Depreciation of property and equipment	1,902	30,267	19,141	25,213	27,093	3,260	106,876
Other operating expenses	25,330	484,825	345,600	351,281	466,944	42,676	1,716,656
Total claims and expenses	146,976	2,574,171	1,535,249	2,689,768	7,349,372	346,904	14,642,440
Profit/ (loss) before income tax	184,235	2,831,425	1,556,065	2,353,485	(3,030,559)	238,509	4,133,160

28 SEGMENT REVENUE AND RESULTS (cont'd)

2018	Marine B$	Fire B$	Motor B$	Liability B$	Workmen's compensation B$	Others B$	Total B$
Income							
Gross written premiums	351,472	6,290,881	3,265,035	6,038,161	4,503,905	6,036,621	26,486,075
Movement in gross provision for unearned premiums	(83)	(47,355)	6,121	(815,401)	120,396	(4,362,419)	(5,098,741)
Gross earned premiums	351,389	6,243,526	3,271,156	5,222,760	4,624,301	1,674,202	21,387,334
Written premiums ceded to reinsurers	(61,151)	(1,421,231)	(358,978)	(1,355,563)	(503,101)	(5,489,923)	(9,189,947)
Reinsurers' share of movement in provision for unearned premiums	254	(216,898)	(2)	(31,987)	-	4,310,412	4,061,779
Net earned premiums	290,492	4,605,397	2,912,176	3,835,210	4,121,200	494,691	16,259,166
Other revenue							
Commission income	4,677	195,806	-	273,246	-	739,307	1,213,036
Net investment income	9,109	105,389	80,703	97,380	134,387	13,068	440,036
Other income	966	11,176	8,558	10,327	14,250	1,385	46,662
Total income before claims and expenses	305,244	4,917,768	3,001,437	4,216,163	4,269,837	1,248,451	17,958,900
Claims and expenses							
Gross claims incurred	11,028	1,039,019	900,397	749,434	2,698,125	(1,029,538)	4,368,465
Reinsurers' share of claims incurred / (recovered)	5,900	130,062	(63,134)	(307,249)	461,574	1,073,169	1,300,322
Net claims incurred	16,928	1,169,081	837,263	442,185	3,159,699	43,631	5,668,787
Commission expense	53,251	1,285,166	601,915	1,138,351	1,057,924	503,334	4,639,941
Staff costs	56,880	403,677	304,178	502,307	504,757	107,865	1,879,664
Depreciation of property and equipment	2,338	27,048	20,712	24,993	34,491	3,355	112,937
Other operating expenses	27,755	415,066	346,063	309,141	506,188	37,788	1,642,001
Total claims and expenses	157,152	3,300,038	2,110,131	2,416,977	5,263,059	695,973	13,943,330
Profit/(loss) before income tax	148,092	1,617,730	891,306	1,799,186	(993,222)	552,478	4,015,570