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

## BACKGROUND

National Insurance Company Berhad was incorporated in 1969 and is one of the market leaders in conventional general insurance in Brunei Darussalam. The Allianz Global Corporate & Specialty SE, MSIG Holdings (Asia) Pte. Ltd, and the Baiduri Holdings Berhad acquired interests in National Insurance in January 1998. These investments were a display of confidence in National Insurance and the Brunei economy and are aimed to strengthen the company's competitive position in Brunei Darussalam and regionally. 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 AND 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 aggressively 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.

**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.

## MISSION AND PHILOSOPHY

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 9001:2008 standard on 22nd April 2014. 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 Hj  
Kamarulzaman bin Pengiran Pekerma Setia  
DiRaja Sahibul Bandar Pengiran Hj Ali



Dato Paduka Timothy Ong  
Teck Mong  
(Deputy Chairman)



Kiyoshi Nakagawa



Mark Barry Mitchell



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



Kolja Klawunn  
(Alternate Director to Mark Barry Mitchell  
– appointed on 1st August 2016)

# 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**

Kolja Klawunn (resigned on 1st August 2016)  
Klaus Tomalla (appointed on 1st October 2016)

**Senior Manager**

Denis Buyok (Underwriting, Claims & Risk Management)

**Managers**

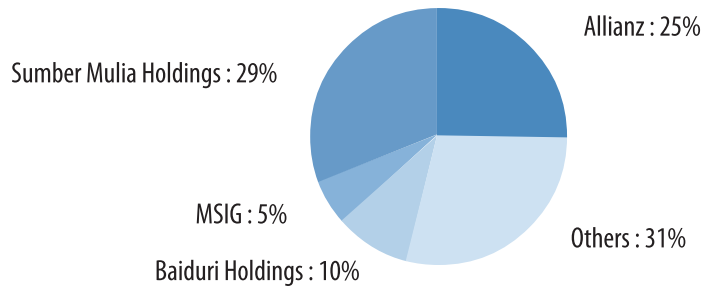
Aminuddin Nasuha (Underwriting)  
Chieng Chiew Wei (Accounts & Finance)  
Emily Chong (Reinsurance)  
Chen Choon Foong (Business Development)  
Ching Lee Ken (Human Resources & Administration)  
Lee Tee Soon (Risk Management)  
Katherine Teo (Underwriting)

**Assistant Managers**

Alexander Akaw (Underwriting)  
Wilfred Lungga (Claims)

# SHAREHOLDERS

Amongst Brunei Companies, National Insurance is unique in its ownership structure. It has approximately 148 shareholders of which 137 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) Pte.Ltd. owns (5%) of the company.

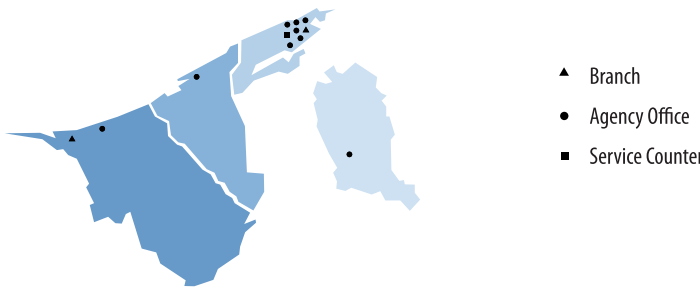


# CORPORATE INFORMATION

<b>Name</b> NATIONAL INSURANCE COMPANY BERHAD	<b>24 - hour Hotline</b> 1-800-0999
<b>Place and Date of Incorporation</b> Brunei Darussalam 24th December 1969	<b>Tow-truck Service</b> 223 4567, 718 0388, 871 8977
<b>Paid-up Capital</b> B\$8 million	<b>Correspondence Address</b> P O Box 1251, BSB BS8672, Brunei Darussalam P O Box 958, KB KA1531, Brunei Darussalam
<b>Head Office</b> Units 12 & 13, Block A, Regent Square, Spg 150, Kg Kiarong, BE1318 Brunei Darussalam	<b>Auditors</b> 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
<b>Telephone</b> 242 6888, 222 6222, 223 3999	<b>Corporate Secretary</b> 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
<b>Facsimile</b> 242 9888 - Administration & Claims 245 4277 - Underwriting 223 8999 - Business Development 245 4303 - Accounts	
<b>Email</b> insurance@national.com.bn	
<b>Website</b> www.national.com.bn	

# 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 COUNTER

#### Land Transport Dept, Gadong

Tel: 245 2238  
Fax: 245 2239

### 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

#### 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

#### 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,  
Komplek Delima Jaya, Kg Serusop,  
Jln 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

#### AEROJAYA INSURANCE AGENCY SDN BHD

No.5, Ground Floor,  
Scout's Headquarters Building,  
Kg Mata-Mata,  
Gadong BE1118,  
Negara Brunei Darussalam.  
Tel: 245 1974  
Fax: 245 2079

#### AXSEL JAYA INSURANCE AGENCY SDN BHD

Unit 110, Ground Floor,  
Bangunan Kambang Pasang,  
Gadong BE4119,  
Brunei Darussalam.  
Tel: 244 8989  
Fax: 245 1181

#### CEDAR MANAGEMENT SERVICES

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

#### DAVID LIAW INSURANCE AGENCY

No. 5, Spg 502-56-18,  
Jln Gadong, Kg Beribi BE1118,  
Negara Brunei Darussalam.  
Tel: 245 6308  
Fax: 245 6308

#### ET-HONG INSURANCE AGENCY

No.2, 1st Floor, Spg 5,  
Bangunan Badiah,  
Jln Gadong BE4119,  
Negara Brunei Darussalam.  
Tel: 245 2955  
Fax: 245 2953

## CORPORATE INFORMATION

#### JASRA HARRISONS INSURANCE AGENCY SDN BHD

No. 65, Jalan McKerron,  
Kuala Belait KA1131,  
Negara Brunei Darussalam.  
Tel: 333 6113  
Fax: 333 6103

#### KANG & KENT ENTERPRISE

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

#### MENANG JAYA SERVICES SDN BHD

No.3A, 1st floor,  
Bangunan Lo Kum Mui,  
Spg 614, Jln 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

#### 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

Unit 11, 1st Floor, Block J,  
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, Jln 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, Blcok A, Lot 898,  
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,  
Jln Muara BB2313,  
Negara Brunei Darussalam.  
Tel: 234 0651  
Fax: 234 0653

#### VG AGENCY

03-38A, Plaza Seria,  
Jln Sultan Omar Ali, Seria,  
Negara Brunei Darussalam.  
Tel: 322 4214  
Fax: 322 4089



## CHAIRMAN'S STATEMENT



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

*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 2016.

### Financial Overview

Despite the continued downturn in the local economy, National Insurance achieved excellent results in 2016.

Profit before tax in 2016 increased by 12.3% to B\$3.58 million compared to B\$ 3.19 million in 2015. Profit after tax in 2016 was B\$2.9 million – an increase of 10.1% from 2015.

Gross written premium in 2016 was B\$20.55 million compared to B\$20.64 million in 2015. This was mainly due to a decrease in Engineering and Travel business although this decrease was partly offset by an increase in Fire and Public Liability business. Net earned premiums in 2016 was higher at B\$15.39 million compared to B\$14.13 million in 2015.

National Insurance's loss ratio in 2016 was 42.3% compared to 39.3% in 2015 mainly due to an increase in common law claims from our Workers' Compensation business.

The combined ratio in 2016 was 79.4% compared to 79.3% in 2015.

Investment income in 2016 was B\$0.42 million – an increase of 58.9% due to higher interest rates and higher placements of fixed deposits.

### Market Leader

National Insurance remains a market leader in Brunei's conventional general insurance market with a market share of approximately 29.4% (in terms of Gross Written Premium) in 2016.

### Dividend

Based on the excellent financial results achieved in 2016, the accumulated profits from previous years as well as the adequacy of National Insurance's solvency margin, the directors propose a final dividend of 30 cents per ordinary share for the year ended 31 December 2016 amounting to a total distribution to shareholders of B\$2.4 million for the year.

### Corporate Social Responsibility

National Insurance continues to actively support local charities. In 2016, we contributed to education for underprivileged children by donating equipment and office supplies to local charities such as Smarter Brunei and the Centre for Children with Special Needs (KACA).

The company also sponsored two Bruneian teenagers to take part in the Allianz Junior Football Camp held in Munich, Germany together with other participants from 29 countries.

### Appreciation

On behalf of the Board of Directors, I would like to acknowledge the dedication and hard work of the outstanding management and staff of the company as well as the support and loyalty of our clients, agents and brokers.

As always, I would also like to express my appreciation to the Autoriti Monetari Brunei Darussalam as well as to the Brunei Insurance and Takaful Association for their guidance and contribution to the development of the local insurance industry.

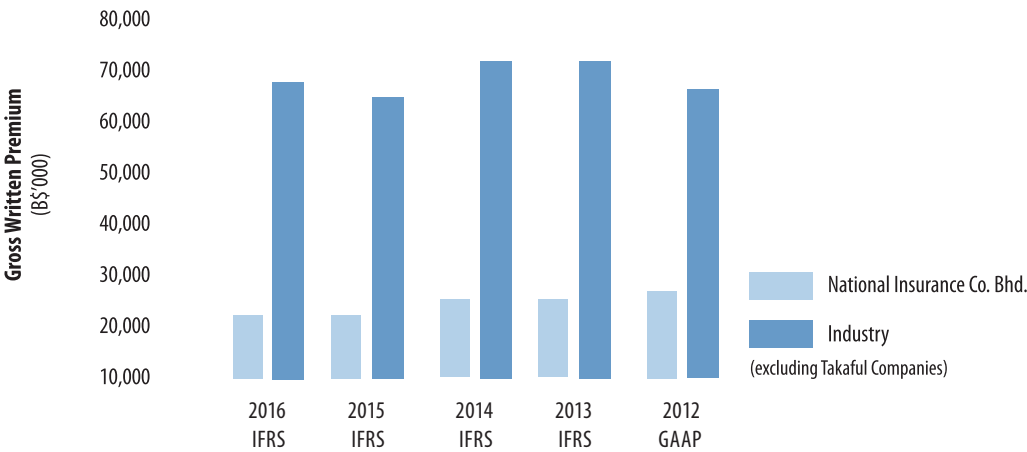
*Wabillahit taufit wal-Hidayah Wassalamualaikum Warahmatullahi Wabarakatuh*

YAM PENGIRAN MUDA ADBUL QAWI  
Chairman

## SUMMARY OF OPERATION FOR FIVE YEARS

	2016	2015	2014	2013	2012
	IFRS	IFRS	IFRS	IFRS	GAAP
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Gross written premium	20,553	20,639	25,686	25,450	18,777
Net written premium	15,265	14,925	16,401	16,403	15,139
Underwriting profit	2,999	2,741	2,751	1,667	1,301
Investment & other income	584	449	224	622	251
Profit before tax	3,583	3,190	2,975	2,289	1,552
Profit after tax	2,898	2,631	2,543	1,845	1,374
Shareholders' funds	16,760	15,455	13,806	11,808	12,473
Net technical reserve	21,898	20,060	16,814	16,712	12,658
Total assets	50,313	46,935	42,734	42,081	29,844
Dividend per share (cents)	30	20	7	7	5
Special Dividend per share (cents)	-	-	5	-	-

## INDUSTRY GROSS WRITTEN PREMIUM OVER FIVE YEARS



Source: Regulatory Department, AMBD

## CORPORATE SOCIAL RESPONSIBILITY



### Blood donation drive

In April 2016, National Insurance Company Berhad (NICB) held a blood donation drive in collaboration with the Blood Donation Centre of Raja Isteri Rengiran Anak Saleha (RIPAS) Hospital. About 40 generous blood donors, including NICB's General Manager, Mr Kolja Klawunn, employees of NICB, business associates and members of the public participated in the blood donation drive, which was held at their Head Office in Regent Square.



### Allianz Junior Football Camp

National Insurance Company Berhad (NICB) in association with Allianz, selected two lucky winners to participate in the 8th Allianz Junior Football Camp 2016, which was held from 25th August to 30th August 2016 in Munich, Germany. During the camp, the teenagers joined other participants between the ages of 14 to 16 years old, from 29 countries to participate in activities such as training sessions with FC Bayern professional youth coaches, meeting FC Bayern stars, watching a live match at the Allianz Arena and a sightseeing tour of the famous landmarks in Munich.



### Donations to KACA

In October 2016, National Insurance Company Berhad (NICB) donated to the Centre for Children with Special Needs (KACA) in Kiulap. The Senior Manager of NICB, Mr Denis Buyok, presented the donations to the Managing Director of KACA, Haji Abdul Halim Bin Haji Othman at the centre. The donations that were presented to the centre included bookshelves and office supplies such as boxes of A4 papers and files. During the visit, Hj Abdul Halim briefed the NICB team on the history of KACA and how they assist the children with special needs to make a difference to their well-being.



### Donations to SMARTER

In December 2016, National Insurance Company Berhad (NICB) donated a photocopier and boxes of A4 papers to SMARTER Brunei's Early Development Growth and Enabling (EDGE) Centre. The General Manager of NICB, Mr Klaus Tomalla handed over the donations to the President of SMARTER Edge Centre, Mr Malai Hj Abdullah bin Hj Malai Othman at Kampong Perpindahan Mata-Mata. During the visit, Mr Malai Hj Abdullah bin Hj Malai Othman briefed the NICB team about the education of the children with autism and gave a tour to the NICB team at the centre.

## 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 2016.

### 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\$2,898,224

In the opinion of the directors, the results of the operations of the Company during the financial 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 2016, the Company paid final dividend of B\$1,600,000 for the year ended 31st December 2015. The directors propose a final dividend of 30 cents per share with total amounting to B\$2,400,000 for the year ended 31st December 2016.

### Directors

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

YAM Pengiran Muda Abdul Qawi (Chairman)

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

Dato Paduka Timothy Ong Teck Mong (Deputy Chairman)

Kiyoshi Nakagawa

Mark Barry Mitchell

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

Kolja Klawunn (alternate director to Mark Barry Mitchell – appointed on 1st August 2016)

## DIRECTORS' REPORT

### Directors' interests in shares and debentures

During the financial 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:-

Name of directors	Shares registered in the 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	28,000	-	-	28,000

### Directors' benefits

Since the end of the previous financial 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:-

- no circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; and
- 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



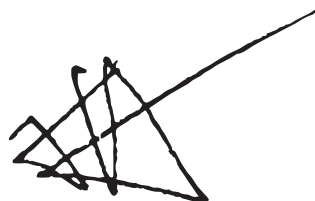
YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN  
PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI  
Director

16th March 2017



## 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 2016, and of its financial performance and its cash flows for the year then ended.



DATO PADUKA TIMOTHY ONG TECK MONG  
**Director**

Date: 16h March 2017



YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN  
BIN PENGIRAN PEKERMA SETIA DIRAJA SAHIBUL  
BANDAR PENGIRAN HAJI ALI  
**Director**

## 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 2016, 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 2016, 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 and statement of compliance set out on pages 14 to 15 and 16 respectively ; and information about the Company's 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)

- 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

LIM TECK GUAN  
Registered Public Accountant

Brunei Darussalam  
16th March 2017

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016

	Note	2016 B\$	2015 B\$
<b>Income</b>			
Gross written premiums	20(a)	20,553,074	20,639,493
Movement in gross provision for unearned premium		331,423	204,351
<b>Gross earned premiums</b>	20(a)	20,884,497	20,843,844
Written premiums ceded to reinsurers	20(a)	(5,288,001)	(5,714,486)
Reinsurers' share of change in provision for unearned premium		(202,441)	(996,968)
<b>Net earned premium</b>	20(a)	15,394,055	14,132,390
<b>Add: Other revenue</b>			
Commission income	6	1,350,352	1,439,604
Net investment income	7	417,442	262,628
Other income	8	166,817	185,631
<b>Total income before claims and expenses</b>		17,328,666	16,020,253
<b>Less: Claims and expenses</b>			
Gross claims incurred	20(b)	7,179,660	6,856,621
Reinsurers' share of claims recovered	20(b)	(668,356)	(1,304,777)
Net claims incurred	20(b)	6,511,304	5,551,844
Commission expense		4,221,304	4,241,037
Staff costs	9	1,949,821	1,907,101
Depreciation of property and equipment	12	106,352	103,257
Other operating expenses	10	956,713	1,027,490
<b>Total claims and expenses</b>		13,745,494	12,830,729
<b>Profit before income tax</b>		3,583,172	3,189,524
Less: Income tax expense	11	684,948	558,279
<b>Profit for the year</b>		2,898,224	2,631,245
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		5,228	(22,510)
Transfer on disposal	7	1,169	-
		6,397	(22,510)
<b>Total comprehensive income for the year, net of tax</b>		2,904,621	2,608,735

See accompanying notes to financial statements.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	Note	31 December 2016 B\$	31 December 2015 B\$
<b>ASSETS</b>			
Property and equipment	12	1,298,470	1,312,605
Deferred tax assets	13	942,953	795,515
Reinsurance assets	14	4,076,595	4,011,072
Available-for-sale financial assets	15	2,246,225	2,503,275
Short-term placements	16	31,137,029	2,433,024
Insurance receivables	17	2,551,209	3,004,621
Deposits, prepayments and other receivables	18	392,753	375,390
Cash and cash equivalents	19	7,667,774	32,499,505
<b>Total assets</b>		50,313,008	46,935,007
<b>LIABILITIES AND EQUITY</b>			
Insurance contract provisions	20	25,974,437	24,071,103
Insurance payables	21	2,299,681	2,382,328
Other payables and accruals	22	4,431,202	4,393,509
Current tax payable	11	848,000	633,000
<b>Total liabilities</b>		33,553,320	31,479,940
<b>Shareholder's equity</b>			
Share capital	23	8,000,000	8,000,000
Fair value reserve		(9,356)	(15,753)
Accumulated profits		8,769,044	7,470,820
		16,759,688	15,455,067
<b>Total liabilities and equity</b>		50,313,008	46,935,007



DATO PADUKA TIMOTHY ONG TECK MONG  
Director

See accompanying notes to financial statements.



YAM PENGIRAN KERMA RAJA PG HJ  
KAMARULZAMAN BIN PENGIRAN PEKERMA  
SETIA DIRAJA SAHIBUL BANDAR PENGIRAN  
HAJI ALI  
Director

## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2016

	Share Capital	Fair Value Reserve	Accumulated Profits	Total
	B\$	B\$	B\$	B\$
As at January 1, 2015	8,000,000	6,757	5,799,575	13,806,332
Payment of dividends in respect of previous financial year	-	-	(960,000)	(960,000)
Profit for the year	-	-	2,631,245	2,631,245
Other comprehensive income for the year	-	(22,510)	-	(22,510)
As at December 31, 2015	<u>8,000,000</u>	<u>(15,753)</u>	<u>7,470,820</u>	<u>15,455,067</u>
Payment of dividends in respect of previous financial year	-	-	(1,600,000)	(1,600,000)
Profit for the year	-	-	2,898,224	2,898,224
Other comprehensive income for the year	-	6,397	-	6,397
As at December 31, 2016	<u>8,000,000</u>	<u>(9,356)</u>	<u>8,769,044</u>	<u>16,759,688</u>

See accompanying notes to financial statements.

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	Note	2016	2015
		B\$	B\$
<b>Operating activities</b>			
Profit before income tax		3,583,172	3,189,524
Adjustments for:			
Depreciation of property and equipment	12	106,352	103,257
Loss/ (gain) on disposal of property and equipment	8	106	(65)
Interest income	7	(417,442)	(262,628)
Interest expense	10	27,085	26,853
Net change in provision for insurance contracts		1,837,811	3,245,859
Gain on disposal of available-for-sale financial assets	7	1,169	-
Transfer on disposal	7	(1,169)	-
<b>Operating cash flows before movements in working capital</b>		<u>5,137,084</u>	<u>6,302,800</u>
<b>Changes in working capital</b>			
Deposits, prepayments and other receivables		115,193	(107,462)
Insurance receivables		453,412	60,547
Short-term placements		(28,704,005)	5,127,304
Insurance payables		(82,647)	81,455
Other payables and accruals		37,693	50,667
<b>Cash (used in)/ generated from operations</b>		<u>(23,043,270)</u>	<u>11,515,311</u>
Income tax paid		(617,386)	(536,472)
<b>Net cash (used in)/ generated from operating activities</b>		<u>(23,660,656)</u>	<u>10,978,839</u>
<b>Investing activities</b>			
Proceeds from realization of available-for-sale financial assets		250,000	-
Decrease in available-for-sale financial assets		13,447	14,223
Interest received		284,886	262,628
Interest paid		(27,085)	(26,853)
Purchases of property and equipment	12	(92,788)	(68,421)
Proceeds on disposal of property and equipment		465	300
<b>Net cash generated from investing activities</b>		<u>428,925</u>	<u>181,877</u>
<b>Financing activity</b>			
Dividends paid		(1,600,000)	(960,000)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<u>(24,831,731)</u>	<u>10,200,716</u>
Cash and cash equivalents at the beginning of the year		32,499,505	22,298,789
<b>Cash and cash equivalents at the end of the year</b>	19	<u>7,667,774</u>	<u>32,499,505</u>

See accompanying notes to financial statements.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## 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 been no significant change in the nature of this activity during the year.

NICB operates only in Negara Brunei Darussalam and employed 41 employees as at December 31, 2016 (2015: 41 employees).

The financial statements of NICB for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 16, 2017.

## 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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of financial statement preparation (Cont'd)

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;
- 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

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 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.

It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Adoption of new and revised standards (Cont'd)

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) of 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments(see below).

#### Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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.

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

During 2016, the Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. The Company intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

#### IFRS 16 Leases

IFRS 16 issued in January 2016 and effective for annual periods beginning January 1, 2019. IFRS 16 replaces the previous leases Standard, IAS 17 Leases and related Interpretations.

Key requirements of IFRS 16:

- IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Adoption of new and revised standards (Cont'd)

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

It is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

### 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Insurance contracts (Cont'd)

#### *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 financial 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.

#### *Claims*

Claims incurred consist of claims and claims handling expenses paid during the financial 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Insurance contracts (Cont'd)

#### *Claims (Cont'd)*

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 in the financial year, are recorded based on statements or advices received from cedants and brokers relating to contracts incepting or renewed in underwriting year 2016 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Insurance contracts (Cont'd)

#### *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.

### 2.6 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 timeframe 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Financial instruments (Cont'd)

#### *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.

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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Financial instruments (Cont'd)

#### *Impairment of financial assets (Cont'd)*

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 group 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

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### 2.9 Impairment of tangible assets

At the end of each reporting period, NICB reviews the carrying amounts of its tangible 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Impairment of tangible assets (Cont'd)

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) 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Income tax (cont'd)

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).

### 2.15 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 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 premium is higher than URR and hence no premium deficiency reserve is required.

#### *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.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

#### *Process used to determine the assumptions for measuring claims liabilities (cont'd)*

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

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.



### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

#### *Process used to determine the assumptions for measuring claims liabilities (cont'd)*

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:

$$(1 - 1/LDF) \times \text{initial expected loss ratio} \times \text{earned premium}$$

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.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

#### *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, 2016, 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.

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.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

#### Sensitivity analysis (Cont'd)

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

		<b>Net claim liabilities</b>	
		<b>2016</b>	<b>2015</b>
Base scenario	B\$	14,779,633	12,812,840
<b>Assumption</b>	<b>Change in assumption</b>	<b>Increase/(Decrease) in net claim liabilities</b>	
		<b>2016</b>	<b>2015</b>
		<b>(B\$'000)</b>	<b>(B\$'000)</b>
Ultimate Loss Ratio	+ 5% points	15,846	13,651
Ultimate Loss Ratio	- 5% points	13,715	11,986
Indirect Claims Handling Expenses	+ 5% points	15,247	13,208
Indirect Claims Handling Expenses	- 5% points	14,312	12,418
Provision for Adverse Deviation	+ 5% points	15,263	13,232
Provision for Adverse Deviation	- 5% points	14,296	12,394

		<b>Net premium liabilities</b>	
		<b>2016</b>	<b>2015</b>
Base scenario	B\$	7,118,209	7,247,191
<b>Assumption</b>	<b>Change in assumption</b>	<b>Increase/(Decrease) in net premium liabilities</b>	
		<b>2016</b>	<b>2015</b>
		<b>(B\$'000)</b>	<b>(B\$'000)</b>
Ultimate Loss Ratio	+ 5% points	7,118	7,247
Ultimate Loss Ratio	- 5% points	7,118	7,247
Maintenance Expense Rate	+ 5% points	7,118	7,247
Maintenance Expense Rate	- 5% points	7,118	7,247
Provision for Adverse Deviation	+ 5% points	7,118	7,247
Provision for Adverse Deviation	- 5% points	7,118	7,247

### 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.

## 4 INSURANCE AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

#### 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.

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

	December 31, 2016		December 31, 2015	
	Gross written premium B\$	Net written premium B\$	Gross written premium B\$	Net written premium B\$
Lines of business				
- Marine	464,784	359,614	524,476	400,473
- Fire	6,116,718	3,471,812	5,746,621	3,209,296
- Motor	3,189,819	2,908,008	3,132,112	2,858,307
- Liability	4,792,110	3,205,760	4,888,185	3,256,386
- Workmen's compensation	5,353,514	4,899,064	5,351,904	4,865,168
- Others	636,129	420,815	996,195	335,377
	<u>20,553,074</u>	<u>15,265,073</u>	<u>20,639,493</u>	<u>14,925,007</u>

#### 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.

## 4 INSURANCE AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

#### Claims development

The table details the claims development for accident years 2008 to 2016.

#### (i) Analysis of claims development - gross of reinsurance

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Estimates of ultimate cumulative claims:</b>										
At end of accident year	-	-	-	-	7,442	6,927	5,118	6,421	5,882	
One year later	-	-	-	6,903	5,895	5,298	4,415	5,827	-	
Two years later	-	-	5,911	6,815	6,280	5,642	4,261	-	-	
Three years later	-	9,471	5,807	6,746	6,867	6,113	-	-	-	
Four years later	15,606	9,495	5,874	6,461	7,244	-	-	-	-	
Five years later	7,026	9,466	6,001	6,383	-	-	-	-	-	
Six years later	6,959	9,487	6,170	-	-	-	-	-	-	
Seven years later	6,978	9,191	-	-	-	-	-	-	-	
Eight years later	7,547	-	-	-	-	-	-	-	-	
Current cumulative ultimate claims payment	7,547	9,191	6,170	6,383	7,244	6,113	4,261	5,827	5,882	58,618
Cumulative payments	7,248	9,066	5,625	5,208	5,787	3,774	2,586	3,662	1,551	44,507
Gross unpaid claims	299	125	545	1,175	1,457	2,339	1,675	2,165	4,331	14,111
Claims handling expenses										411
Discounting effect										(60)
Best estimates of outstanding claims										14,462
Best estimates of outstanding claims for prior years										822
Provision for adverse deviation										2,207
Total										<u>17,491</u>

## 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Estimates of ultimate cumulative claims:</b>										
At end of accident year	-	-	-	-	5,372	5,034	4,374	5,001	5,059	
One year later	-	-	-	5,743	4,863	4,242	3,672	4,528	-	
Two years later	-	-	5,318	5,652	5,317	4,631	3,627	-	-	
Three years later	-	5,829	5,226	5,640	5,889	5,275	-	-	-	
Four years later	4,711	5,856	5,294	5,368	6,071	-	-	-	-	
Five years later	4,705	5,824	5,422	5,350	-	-	-	-	-	
Six years later	4,685	5,842	5,715	-	-	-	-	-	-	
Seven years later	4,701	5,659	-	-	-	-	-	-	-	
Eight years later	5,052	-	-	-	-	-	-	-	-	
Current cumulative ultimate claims payment	5,052	5,659	5,715	5,350	6,071	5,275	3,627	4,528	5,059	46,336
Cumulative payments	4,761	5,552	5,171	4,472	4,664	3,456	2,181	2,579	1,484	34,320
Net unpaid claims	291	107	544	878	1,407	1,819	1,446	1,949	3,575	12,016
Claims handling expenses										410
Discounting effect										(56)
Best estimates of outstanding claims										12,370
Best estimates of outstanding claims for prior years										524
Provision for adverse deviation										1,886
Total										14,780

## 4 INSURANCE AND FINANCIAL RISK MANAGEMENT (CONT'D)

### 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:

	2016 B\$	2015 B\$
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)		
- Cash and cash equivalent	7,667,774	32,499,505
- Short term placements	31,137,029	2,433,024
- Other receivables	309,975	307,004
- Insurance receivables	2,551,209	3,004,621
	41,665,987	38,244,154
Available-for-sale financial assets	2,246,225	2,503,275
	43,912,212	40,747,429
<b>Financial liability</b>		
Insurance payable	2,299,681	2,382,328
Other payables and accruals	4,398,183	4,321,107
Amortised cost	6,697,864	6,703,435

#### (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.



## 4 INSURANCE AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

#### (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:

	<b>Grade* (BBB- to AAA) B\$</b>	<b>Not rated B\$</b>	<b>Past due but not impaired B\$</b>	<b>Total B\$</b>
<b>2016</b>				
Cash and cash equivalents	7,662,856	4,918	-	7,667,774
Other receivables	282,588	27,387	-	309,975
Available-for-sale securities	2,246,225	-	-	2,246,225
Short-term placements	31,137,029	-	-	31,137,029
Insurance receivables	-	2,174,364	376,845	2,551,209
	<u>41,328,698</u>	<u>2,206,669</u>	<u>376,845</u>	<u>43,912,212</u>
<b>2015</b>				
Cash and cash equivalents	30,719,587	1,779,918	-	32,499,505
Other receivables	150,032	156,972	-	307,004
Available-for-sale securities	2,503,275	-	-	2,503,275
Short-term placements	2,433,024	-	-	2,433,024
Insurance receivables	-	2,367,436	637,185	3,004,621
	<u>35,805,918</u>	<u>4,304,326</u>	<u>637,185</u>	<u>40,747,429</u>

\* 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:

	<b>4 mths to 6 mths B\$</b>	<b>&gt; 6 mths B\$</b>	<b>Total B\$</b>
<b>2016</b>			
Receivables arising from insurance contracts	348,681	-	348,681
Receivables arising from reinsurance contracts	28,164	-	28,164
	<u>376,845</u>	<u>-</u>	<u>376,845</u>
<b>2015</b>			
Receivables arising from insurance contracts	565,386	-	565,386
Receivables arising from reinsurance contracts	71,799	-	71,799
	<u>637,185</u>	<u>-</u>	<u>637,185</u>

## 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)

Receivables from insurance and reinsurance contracts amounting to B\$242,169 and B\$1,008,444 (2015: B\$281,376 and B\$1,208,303), respectively have been impaired and an allowance has been 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.

#### (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.

## 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)

	<u>On demand or within 1 year B\$</u>	<u>Within 2 to 5 years B\$</u>	<u>Total B\$</u>
<b>2016</b>			
Insurance contract provision net of reinsurers' shares	21,897,842	-	21,897,842
Insurance payables	2,299,681	-	2,299,681
Financial liabilities: - Non-interest bearing	<u>1,251,715</u>	<u>3,146,468</u>	<u>4,398,183</u>
<b>2015</b>			
Insurance contract provision net of reinsurers' shares	20,060,031	-	20,060,031
Insurance payables	2,382,328	-	2,382,328
Financial liabilities: - Non-interest bearing	<u>1,136,934</u>	<u>3,184,173</u>	<u>4,321,107</u>

#### 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.

## 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)

	<u>Average effective Interest Rate</u> %	<u>Within 1 year</u> B\$	<u>Within 2 to 5 years</u> B\$	<u>After 5 years</u> B\$	<u>Adjust- ment</u> B\$	<u>Total</u> B\$
<b>2016</b>						
Available-for-sale financial assets						
- Listed corporate bonds	2.93%	72,500	290,199	2,309,858	(426,332)	2,246,225
Loans and receivables						
- Cash and cash equivalents	0.12%	7,667,774	-	-	-	7,667,774
- Short-term placements	1.24%	27,702,499	3,434,530	-	-	31,137,029
- Other receivables		224,174	85,801	-	-	309,975
Insurance receivables		2,551,209	-	-	-	2,551,209
		<u>38,218,156</u>	<u>3,810,530</u>	<u>2,309,858</u>	<u>(426,332)</u>	<u>43,912,212</u>

#### **2015**

Available-for-sale financial assets						
- Listed corporate bonds	3.05%	83,102	414,602	2,559,858	(554,287)	2,503,275
Loans and receivables						
- Cash and cash equivalents	0.83%	32,499,505	-	-	-	32,499,505
- Short-term placements	1.49%	-	2,433,024	-	-	2,433,024
- Other receivables		284,581	22,423	-	-	307,004
Insurance receivables		3,004,621	-	-	-	3,004,621
		<u>35,871,809</u>	<u>2,870,049</u>	<u>2,559,858</u>	<u>(554,287)</u>	<u>40,747,429</u>

#### (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.

## 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:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
USD	1,151,691	958,922	148,681	161,662
MYR	15,240	20,123	8,719	6,508

#### 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.

	<u>USD Impact</u>		<u>MYR Impact</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit or loss	50,151	39,863	326	681
Equity	0.30%	0.26%	0%	0%

## 4 INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

### 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. The fair values of quoted debt securities are based on quoted bid prices obtained from the banks:

*Financial instruments measured at fair value on a recurring basis:*

	Fair value as at December 31				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2016		2015					
Financial assets/ liabilities	Assets	Liabilities	Assets	Liabilities				
Available-for-sale investments (see note 15)								
Listed corporate bonds	2,246,225	-	2,503,275	-	Level 1	Quoted prices (unadjusted) in active markets	N/A	N/A

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 2016 and 2015.

### 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*. The capital structure of NICB comprises of share capital, investment revaluation reserves 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:

	<b>2016</b>	<b>2015</b>
	<b>B\$</b>	<b>B\$</b>
Interest income from bank and fixed deposit	<u>138,258</u>	<u>78,066</u>

### *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\$327,714 (2015: B\$348,750).

### *Other related party transactions*

Allianz Global Corporate & Specialty SE (an entity which owns 25% of NICB and which has significant influence over) offers management services to NICB. During the year, NICB paid a total of B\$187,500 (2015: B\$187,500) 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

	<b>2016</b>	<b>2015</b>
	<b>B\$</b>	<b>B\$</b>
Reinsurance commission income	<u>1,350,352</u>	<u>1,439,604</u>

**7 NET INVESTMENT INCOME**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Interest income from		
- bank deposits	349,606	193,976
- debt securities	67,836	68,652
Gain on disposal of available-for-sale financial assets	1,169	-
Transfer on disposal	(1,169)	-
	<u>417,442</u>	<u>262,628</u>

**8 OTHER INCOME**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Miscellaneous income	165,239	168,946
(Loss)/ gain on disposal of property and equipment	(106)	65
Foreign exchange gain	1,684	16,620
	<u>166,817</u>	<u>185,631</u>

**9 STAFF COSTS**

Included in staff costs are contributions to statutory defined contribution schemes of B\$70,964 (2015: B\$69,882).

**10 OTHER OPERATING EXPENSES**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Administrative expenses	727,526	720,586
Auditor's remuneration	58,200	48,477
Management fee expense paid to a related company (Note 5)	187,500	187,500
Professional fees	32,041	33,231
Consultancy fee paid to a related company (Note 5)	78,000	78,000
Marketing expenses	113,572	90,513
Interest expense and bank charges	27,085	26,853
Unrealised foreign exchange gain	(28,145)	(43,006)
Allowance for doubtful accounts, net of recoveries (Note 17)	(239,066)	(114,664)
	<u>956,713</u>	<u>1,027,490</u>

**11 INCOME TAX**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Taxation in respect of current year's profit	848,000	633,000
Overprovision of income tax in previous year	(15,614)	(13,528)
Deferred tax benefits recognized (Note 13)	(147,438)	(61,193)
	<u>684,948</u>	<u>558,279</u>

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:-

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Profit before income tax	<u>3,583,172</u>	<u>3,189,524</u>
Tax calculated at the rate of 18.5% (2015: 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	635,137	562,312
Adjustments:		
Non-deductible expenses	246,855	101,965
Further deduction	(14,553)	(13,102)
Capital allowances	(23,154)	(20,342)
Others	3,715	2,167
Overprovision of income tax in previous year	(15,614)	(13,528)
Provision for taxation in respect of current year's profit	832,386	619,472
Deferred tax benefits recognized	(147,438)	(61,193)
Tax expense charged to profit and loss account	<u>684,948</u>	<u>558,279</u>
Provision for taxation:		
Balance brought forward	633,000	550,000
Tax paid	(617,386)	(536,472)
Overprovision of income tax in previous year	(15,614)	(13,528)
Provision for taxation in respect of current year's profit	848,000	633,000
Balance carried forward	<u>848,000</u>	<u>633,000</u>
Deferred tax assets:		
Balance brought forward	795,515	734,322
Deferred tax benefits recognized	147,438	61,193
Balance carried forward	<u>942,953</u>	<u>795,515</u>



**12 PROPERTY AND EQUIPMENT**

	<u>Leasehold improve- ments</u>	<u>Motor vehicles</u>	<u>Office equipment, furniture and fittings</u>	<u>Computeri- sation</u>	<u>Leasehold Building</u>	<u>Total</u>
	B\$	B\$	B\$	B\$	B\$	B\$
Cost:						
At January 1, 2015	395,971	242,442	1,256,698	810,057	1,350,000	4,055,168
Additions	-	-	20,751	47,670	-	68,421
Disposal	-	-	(12,568)	(2,059)	-	(14,627)
At December 31, 2015	395,971	242,442	1,264,881	855,668	1,350,000	4,108,962
Additions	-	-	76,805	15,983	-	92,788
Disposal	(2,238)	-	(32,198)	(3,000)	-	(37,436)
At December 31, 2016	393,733	242,442	1,309,488	868,651	1,350,000	4,164,314
Accumulated depreciation:						
At January 1, 2015	387,594	146,846	1,233,321	778,828	160,903	2,707,492
Depreciation	3,137	43,048	12,542	22,030	22,500	103,257
Disposal	-	-	(12,371)	(2,021)	-	(14,392)
At December 31, 2015	390,731	189,894	1,233,492	798,837	183,403	2,796,357
Depreciation	2,984	28,848	27,280	24,740	22,500	106,352
Disposal	(2,238)	-	(31,627)	(3,000)	-	(36,865)
At December 31, 2016	391,477	218,742	1,229,145	820,577	205,903	2,865,844
Carrying amount:						
At December 31, 2016	2,256	23,700	80,343	48,074	1,144,097	1,298,470
At December 31, 2015	5,240	52,548	31,389	56,831	1,166,597	1,312,605

**13 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:

	<u>Accelerated tax Depreciation B\$</u>	<u>Available- for-sale investments B\$</u>	<u>Incurred but not reported B\$</u>	<u>Total B\$</u>
At January 1, 2015	76,398	1,250	656,674	734,322
Charged to profit or loss for the year	-	(4,164)	65,357	61,193
At December 31, 2015	76,398	(2,914)	722,031	795,515
At January 1, 2016				
Charged to profit or loss for the year	-	1,183	146,255	147,438
At December 31, 2016	76,398	(1,731)	868,286	942,953

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:

	<u>2016 B\$</u>	<u>2015 B\$</u>
Deferred tax assets	942,953	795,515

**14 REINSURANCE ASSETS**

	<u>2016 B\$</u>	<u>2015 B\$</u>
Reinsurer's share of unearned premiums (Note 20)	1,365,312	1,567,753
Reinsurer's share of insurance claims (Note 20)	2,711,283	2,443,319
	<u>4,076,595</u>	<u>4,011,072</u>

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

**15 AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<u>2016 B\$</u>	<u>2015 B\$</u>
Corporate debt securities:		
- Listed	2,246,225	2,503,275

The weighted average effective interest rate of the corporate bonds at the end of the reporting period and the periods in which they mature are disclosed in Note 4.2.

**16 SHORT-TERM PLACEMENTS**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Short-term placements	<u>31,137,029</u>	<u>2,433,024</u>

NICB places the above amounts with locally licensed banks in Brunei. The short-term placements have tenures ranging from more than 12 to 36 months.

Short-term placements include B\$3,519,420 (2015 : B\$Nil) held by NICB as security deposit for credit terms granted to policyholders in respect of labour guarantees and performance bonds (Note 26).

**17 INSURANCE RECEIVABLES**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Receivables arising from insurance contracts	2,772,580	3,104,464
Receivables arising from reinsurance contracts	<u>1,029,242</u>	<u>1,389,836</u>
	<u>3,801,822</u>	<u>4,494,300</u>
Allowance for doubtful insurance receivables:		
- insurance contracts	(242,169)	(281,376)
- reinsurance contracts	<u>(1,008,444)</u>	<u>(1,208,303)</u>
	<u>(1,250,613)</u>	<u>(1,489,679)</u>
	<u>2,551,209</u>	<u>3,004,621</u>

The average credit period is 30 days to 90 days (2015: 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:

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Balance at beginning of the year	1,489,679	1,604,343
Decrease in allowance recognised in profit or loss (Note 10)	<u>(239,066)</u>	<u>(114,664)</u>
Balance at end of the year	<u>1,250,613</u>	<u>1,489,679</u>

**18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Accrued interest receivable:		
- Debt securities	28,285	30,105
- Fixed deposits and interest on bank balances	254,303	119,927
Deposits	22,423	22,423
Prepayments	82,778	68,386
Sundry receivables	<u>4,964</u>	<u>134,549</u>
	<u>392,753</u>	<u>375,390</u>

**19 CASH AND CASH EQUIVALENTS**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Cash in banks and on hand	7,667,774	10,131,142
Short-term fixed deposits	<u>-</u>	<u>22,368,363</u>
	<u>7,667,774</u>	<u>32,499,505</u>

Short-term fixed deposits include B\$Nil (2015 : B\$1,617,028) held by NICB as security deposit for credit terms granted to policyholders in respect of labour guarantees and performance bonds (Note 26).

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

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Denominated in:		
United States Dollars	1,104,439	894,402
Malaysian Ringgit	<u>-</u>	<u>7,095</u>

**20 INSURANCE CONTRACTS PROVISIONS**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Provision for unearned premiums		
Gross	8,483,521	8,814,944
Reinsurance (Note 14)	<u>(1,365,312)</u>	<u>(1,567,753)</u>
Net	<u><u>7,118,209</u></u>	<u><u>7,247,191</u></u>
Provision for insurance claims		
Gross	17,490,916	15,256,159
Reinsurance (Note 14)	<u>(2,711,283)</u>	<u>(2,443,319)</u>
Net	<u><u>14,779,633</u></u>	<u><u>12,812,840</u></u>
<u>Current liabilities</u>		
Provision for unearned premiums	<u>8,483,521</u>	<u>8,814,944</u>
Provision for insurance claims:		
Claims incurred but not reported	6,843,502	5,543,691
Claims admitted or intimated but not paid	<u>10,647,414</u>	<u>9,712,468</u>
	<u><u>17,490,916</u></u>	<u><u>15,256,159</u></u>
	<u><u>25,974,437</u></u>	<u><u>24,071,103</u></u>

(a) Analysis of movements in provision for unearned premiums

	<b><u>2016</u></b>			<b><u>2015</u></b>		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	B\$	B\$	B\$	B\$	B\$	B\$
At 1 January	8,814,944	(1,567,753)	7,247,191	9,019,295	(2,564,721)	6,454,574
Premiums written	20,553,074	(5,288,001)	15,265,073	20,639,493	(5,714,486)	14,925,007
Premiums earned	<u>(20,884,497)</u>	<u>5,490,442</u>	<u>(15,394,055)</u>	<u>(20,843,844)</u>	<u>6,711,454</u>	<u>(14,132,390)</u>
At 31 December	<u><u>8,483,521</u></u>	<u><u>(1,365,312)</u></u>	<u><u>7,118,209</u></u>	<u><u>8,814,944</u></u>	<u><u>(1,567,753)</u></u>	<u><u>7,247,191</u></u>

(b) Analysis of movements in provision for insurance claims

	<b><u>2016</u></b>			<b><u>2015</u></b>		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	B\$	B\$	B\$	B\$	B\$	B\$
At 1 January	15,256,159	(2,443,319)	12,812,840	12,714,795	(2,355,197)	10,359,598
Claims paid	(4,944,903)	400,392	(4,544,511)	(4,315,257)	1,216,655	(3,098,602)
Claims (recovered)/ incurred	<u>7,179,660</u>	<u>(668,356)</u>	<u>6,511,304</u>	<u>6,856,621</u>	<u>(1,304,777)</u>	<u>5,551,844</u>
At 31 December	<u><u>17,490,916</u></u>	<u><u>(2,711,283)</u></u>	<u><u>14,779,633</u></u>	<u><u>15,256,159</u></u>	<u><u>(2,443,319)</u></u>	<u><u>12,812,840</u></u>

**21 INSURANCE PAYABLES**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Payables arising from insurance contracts	681,419	683,084
Payables arising from reinsurance contracts	<u>1,618,262</u>	<u>1,699,244</u>
	<u><u>2,299,681</u></u>	<u><u>2,382,328</u></u>

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**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Accrued expenses	738,903	707,544
Dividend payable	42,916	38,107
Collateral deposits held	3,146,468	3,184,173
Sundry payables	264,615	283,685
Deposits received	<u>238,300</u>	<u>180,000</u>
	<u><u>4,431,202</u></u>	<u><u>4,393,509</u></u>

Accrued expenses principally comprise of 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.

**23 SHARE CAPITAL**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>B\$</b>	<b>B\$</b>
Authorised :		
100,000,000 ordinary shares of B\$1.00 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At the beginning and at the end of the year	<u>8,000,000</u>	<u>8,000,000</u>

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 amounting to B\$2,400,000 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, 2016.

## 25 OPERATING LEASE COMMITMENTS

NICB as lessee

	<b>2016</b>	<b>2015</b>
	<b>B\$</b>	<b>B\$</b>
Minimum lease payment recognised as an expense during the year	<u>41,434</u>	<u>48,292</u>
Future minimum lease payments under operating leases are as follows:		
	<b>2016</b>	<b>2015</b>
	<b>B\$</b>	<b>B\$</b>
Within one year	43,640	41,920
Beyond one year	<u>49,000</u>	<u>15,000</u>
	<u>92,640</u>	<u>56,920</u>

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

Gross contingent liabilities not provided for in the financial statements are gross of facultative and treaty reinsurance underlining protection:

	<b>2016</b>	<b>2015</b>
	<b>B\$</b>	<b>B\$</b>
Performance bonds and banker's guarantees provided on behalf of third parties	8,716,066	8,874,441
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	8,600	9,500
Company's guarantee to Commissioner of Labour provided in respect of insured's employees' repatriation expenses	169,900	-
	<u>10,894,566</u>	<u>10,883,941</u>

The performance bonds and banker's guarantees are secured by NICB's short-term deposits and placements placed with various financial institutions amounting to B\$3,519,420 (2015: B\$1,617,028).

## 27 SEGMENT REVENUE AND RESULTS

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

	<u>Marine</u>	<u>Fire</u>	<u>Motor</u>	<u>Liability</u>	<u>Workmen's compensation</u>	<u>Others</u>	<u>Total</u>
	B\$	B\$	B\$	B\$	B\$	B\$	B\$
<b>2016</b>							
<b>Income</b>							
Gross written premiums	464,784	6,116,718	3,189,819	4,792,110	5,353,514	636,129	20,553,074
Movement in gross provision for unearned premium	<u>23,824</u>	<u>(38,088)</u>	<u>69,776</u>	<u>35,194</u>	<u>(19,682)</u>	<u>260,399</u>	<u>331,423</u>
<b>Gross earned premiums</b>	<u>488,608</u>	<u>6,078,630</u>	<u>3,259,595</u>	<u>4,827,304</u>	<u>5,333,832</u>	<u>896,528</u>	<u>20,884,497</u>
Written premium ceded to reinsurers	(105,170)	(2,644,906)	(281,811)	(1,586,350)	(454,450)	(215,314)	(5,288,001)
Reinsurers' share of change in provision for unearned premium	<u>(2,684)</u>	<u>35,421</u>	<u>(2)</u>	<u>(42,491)</u>	<u>(47)</u>	<u>(192,638)</u>	<u>(202,441)</u>
<b>Net earned premium</b>	<u>380,754</u>	<u>3,469,145</u>	<u>2,977,782</u>	<u>3,198,463</u>	<u>4,879,335</u>	<u>488,576</u>	<u>15,394,055</u>
<b>Other revenue</b>							
Commission income	16,627	912,575	-	323,820	278	97,052	1,350,352
Net investment income	11,980	79,689	86,119	89,834	127,362	22,458	417,442
Other income	<u>4,788</u>	<u>31,844</u>	<u>34,415</u>	<u>35,899</u>	<u>50,896</u>	<u>8,975</u>	<u>166,817</u>
<b>Total income before claims and expenses</b>	<u>414,149</u>	<u>4,493,253</u>	<u>3,098,316</u>	<u>3,648,016</u>	<u>5,057,871</u>	<u>617,061</u>	<u>17,328,666</u>
<b>Claims and expenses</b>							
Gross claims incurred/ (recovered)	(74,425)	1,485,340	612,984	252,715	4,505,139	397,907	7,179,660
Reinsurer's share of claims incurred	<u>18,252</u>	<u>(793,771)</u>	<u>45,504</u>	<u>10,635</u>	<u>134,509</u>	<u>(83,485)</u>	<u>(668,356)</u>
Net claims incurred	<u>(56,173)</u>	<u>691,569</u>	<u>658,488</u>	<u>263,350</u>	<u>4,639,648</u>	<u>314,422</u>	<u>6,511,304</u>
Commission expense	75,105	1,258,665	565,036	956,055	1,262,177	104,266	4,221,304
Staff costs	67,161	410,452	351,111	477,466	507,870	135,761	1,949,821
Depreciation of property and equipment	3,053	20,303	21,940	22,886	32,448	5,722	106,352
Other operating expenses	<u>21,843</u>	<u>220,995</u>	<u>177,533</u>	<u>171,948</u>	<u>330,422</u>	<u>33,972</u>	<u>956,713</u>
<b>Total claims and expenses</b>	<u>110,989</u>	<u>2,601,984</u>	<u>1,774,108</u>	<u>1,891,705</u>	<u>6,772,565</u>	<u>594,143</u>	<u>13,745,494</u>
<b>Profit/(loss) before income tax</b>	<u>303,160</u>	<u>1,891,269</u>	<u>1,324,208</u>	<u>1,756,311</u>	<u>(1,714,694)</u>	<u>22,918</u>	<u>3,583,172</u>

**27 SEGMENT REVENUE AND RESULTS (CONT'D)**

	<u>Marine</u>	<u>Fire</u>	<u>Motor</u>	<u>Liability</u>	<u>Workmen's compensation</u>	<u>Others</u>	<u>Total</u>
	B\$	B\$	B\$	B\$	B\$	B\$	B\$
<u>2015</u>							
<b>Income</b>							
Gross written premiums	524,476	5,746,621	3,132,112	4,888,185	5,351,904	996,195	20,639,493
Movement in gross provision for unearned premium	<u>29,604</u>	<u>(694,282)</u>	<u>56,999</u>	<u>727,460</u>	<u>(551,617)</u>	<u>636,187</u>	<u>204,351</u>
<b>Gross earned premiums</b>	<u>554,080</u>	<u>5,052,339</u>	<u>3,189,111</u>	<u>5,615,645</u>	<u>4,800,287</u>	<u>1,632,382</u>	<u>20,843,844</u>
Written premium ceded to reinsurers	(124,003)	(2,537,325)	(273,805)	(1,631,799)	(486,736)	(660,818)	(5,714,486)
Reinsurers' share of change in provision for unearned premium	<u>(24,871)</u>	<u>182,172</u>	<u>(3)</u>	<u>(942,588)</u>	<u>(1,678)</u>	<u>(210,000)</u>	<u>(996,968)</u>
<b>Net earned premium</b>	<u>405,206</u>	<u>2,697,186</u>	<u>2,915,303</u>	<u>3,041,258</u>	<u>4,311,873</u>	<u>761,564</u>	<u>14,132,390</u>
<b>Other revenue</b>							
Commission income	18,031	819,686	-	378,043	163	223,681	1,439,604
Net investment income	7,091	59,170	52,735	52,527	77,737	13,368	262,628
Other income	<u>5,012</u>	<u>41,823</u>	<u>37,274</u>	<u>37,126</u>	<u>54,947</u>	<u>9,449</u>	<u>185,631</u>
<b>Total income before claims and expenses</b>	<u>435,340</u>	<u>3,617,865</u>	<u>3,005,312</u>	<u>3,508,954</u>	<u>4,444,720</u>	<u>1,008,062</u>	<u>16,020,253</u>
<b>Claims and expenses</b>							
Gross claims incurred/ (recovered)	(230,546)	1,536,854	1,020,214	720,030	3,263,769	546,300	6,856,621
Reinsurer's share of claims incurred	<u>(15,317)</u>	<u>(971,948)</u>	<u>29,098</u>	<u>(66,249)</u>	<u>29,138</u>	<u>(309,499)</u>	<u>(1,304,777)</u>
Net claims incurred	<u>(245,863)</u>	<u>564,906</u>	<u>1,049,312</u>	<u>653,781</u>	<u>3,292,907</u>	<u>236,801</u>	<u>5,551,844</u>
Commission expense	81,789	1,164,831	551,079	1,013,024	1,261,720	168,594	4,241,037
Staff costs	63,860	439,407	337,987	447,159	488,293	130,395	1,907,101
Depreciation of property and equipment	2,788	23,264	20,734	20,651	30,564	5,256	103,257
Other operating expenses	<u>25,943</u>	<u>246,244</u>	<u>186,158</u>	<u>187,515</u>	<u>343,892</u>	<u>37,738</u>	<u>1,027,490</u>
<b>Total claims and expenses</b>	<u>(71,483)</u>	<u>2,438,652</u>	<u>2,145,270</u>	<u>2,322,130</u>	<u>5,417,376</u>	<u>578,784</u>	<u>12,830,729</u>
<b>Profit/(loss) before income tax</b>	<u>506,823</u>	<u>1,179,213</u>	<u>860,042</u>	<u>1,186,824</u>	<u>(972,656)</u>	<u>429,278</u>	<u>3,189,524</u>