

PROGRESSIVE INSURANCE BHD
197401001891 (19002-P)
(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements
For The Financial Period From 1 January 2021 To 30 June 2021

197401001891 (19002-P)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CONTENTS	PAGE
Unaudited Condensed Statements of Financial Position	1 - 2
Unaudited Condensed Income Statements	3 - 4
Unaudited Condensed Statements of Comprehensive Income	5
Unaudited Condensed Statements of Changes in Equity	6 - 7
Unaudited Condensed Statements of Cash Flows	8 - 11
Notes to the Unaudited Condensed Interim Financial Statements	12 - 25

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group		Company	
		30.06.2021 RM	31.12.2020 RM	30.06.2021 RM	31.12.2020 RM
ASSETS					
Property and equipment		14,660,117	13,993,956	14,660,117	13,993,956
Right-of-use assets		3,358,437	3,545,375	3,358,437	3,545,375
Investments:		270,095,775	301,362,500	274,206,684	305,658,163
- Available-for-sale ("AFS") financial assets	6 (a)	76,934,735	77,372,474	205,272,986	206,354,292
- Financial assets at fair value through profit or loss ("FVTPL")	6 (b)	193,161,040	223,990,026	68,933,698	99,303,871
Reinsurance assets	7	169,003,676	126,212,342	169,003,676	126,212,342
Loans and other receivables	8	151,345,564	129,881,956	145,350,167	122,463,906
Tax recoverable		-	1,348,388	-	1,348,388
Insurance receivables	9	25,909,283	22,458,425	25,909,283	22,458,425
Cash and bank balances		17,470,560	7,250,756	14,948,368	5,926,718
TOTAL ASSETS		651,843,412	606,053,698	647,436,732	601,607,273
EQUITY AND LIABILITIES					
Share capital		100,000,000	100,000,000	100,000,000	100,000,000
Reserves		199,437,676	195,261,218	199,503,321	195,328,798
		299,437,676	295,261,218	299,503,321	295,328,798
Non-controlling interests		4,394,765	4,416,992	-	-
TOTAL EQUITY		303,832,441	299,678,210	299,503,321	295,328,798

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (CONT'D.)

	Note	Group		Company	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
		RM	RM	RM	RM
Insurance contract liabilities	10	278,757,256	236,712,055	278,757,256	236,712,055
Income tax liabilities		1,784,021	-	1,784,021	-
Deferred tax liabilities		1,534,213	1,534,210	1,534,213	1,534,210
Lease liabilities		3,819,065	3,983,660	3,819,065	3,983,660
Other financial liabilities	11	31,208,219	27,281,925	31,208,219	27,281,925
Insurance payables	12	23,803,956	22,495,461	23,803,956	22,495,461
Other payables	13	7,104,241	14,368,177	7,026,681	14,271,164
TOTAL LIABILITIES		<u>348,010,971</u>	<u>306,375,488</u>	<u>347,933,411</u>	<u>306,278,475</u>
TOTAL EQUITY AND LIABILITIES		<u>651,843,412</u>	<u>606,053,698</u>	<u>647,436,732</u>	<u>601,607,273</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

	Note	Group		Company	
		30.06.2021 RM	30.06.2020 RM	30.06.2021 RM	30.06.2020 RM
Gross written premiums	10(ii)	63,475,424	65,180,332	63,475,424	65,180,332
Change in unearned premiums		211,321	(992,951)	211,321	(992,951)
Gross earned premiums	10(ii)	<u>63,686,745</u>	<u>64,187,381</u>	<u>63,686,745</u>	<u>64,187,381</u>
Gross written premiums ceded to reinsurers	10(ii)	(35,857,250)	(36,243,656)	(35,857,250)	(36,243,656)
Change in unearned premiums		(895,591)	2,096,090	(895,591)	2,096,090
Earned premiums ceded to reinsurers	10(ii)	<u>(36,752,841)</u>	<u>(34,147,566)</u>	<u>(36,752,841)</u>	<u>(34,147,566)</u>
Net earned premiums		<u>26,933,904</u>	<u>30,039,815</u>	<u>26,933,904</u>	<u>30,039,815</u>
Investment income, net		5,605,285	6,095,661	5,135,934	5,676,798
Realised gains		11,341,527	3,841,705	11,222,329	3,832,528
Fair value gains		(10,969,932)	(6,878,062)	(7,711,196)	(9,201,664)
Commission income		6,674,808	6,844,929	6,674,808	6,844,929
Other operating income		1,386,957	1,568,832	1,383,228	1,568,832
Other income		<u>14,038,645</u>	<u>11,473,065</u>	<u>16,705,103</u>	<u>8,721,423</u>
Gross claims paid		(18,548,436)	(21,725,542)	(18,548,436)	(21,725,542)
Claims ceded to reinsurers		6,102,775	5,907,133	6,102,775	5,907,133
Gross change in contract liabilities		(42,256,522)	(26,774,570)	(42,256,522)	(26,774,570)
Change in contract liabilities ceded to reinsurers		43,686,925	27,805,270	43,686,925	27,805,270
Net claims incurred		<u>(11,015,258)</u>	<u>(14,787,709)</u>	<u>(11,015,258)</u>	<u>(14,787,709)</u>
Commission expenses		(5,936,084)	(7,992,259)	(5,936,084)	(7,992,259)
Management expenses					
- General fund		(13,880,284)	(13,961,878)	(13,671,027)	(13,743,089)
- Shareholders' fund		(3,672)	(174,274)	(3,672)	(174,274)
Other expenses		<u>(19,820,040)</u>	<u>(22,128,411)</u>	<u>(19,610,783)</u>	<u>(21,909,622)</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021 (CONT'D.)

	Note	Group		Company	
		30.06.2021 RM	30.06.2020 RM	30.06.2021 RM	30.06.2020 RM
Profit before taxation		10,137,251	4,596,760	13,012,966	2,063,907
Taxation		(3,140,000)	(500,000)	(3,140,000)	(500,000)
Net profit for the year		<u>6,997,251</u>	<u>4,096,760</u>	<u>9,872,966</u>	<u>1,563,907</u>
Earnings per ordinary share (sen) - basic and diluted		<u>7.0</u>	<u>4.1</u>		
Net profit for the year attributable to:					
Equity holders of the Company		7,019,584	3,947,747		
Non-controlling interests		(22,333)	149,013		
		<u>6,997,251</u>	<u>4,096,760</u>		

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021

	Group		Company	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM	RM	RM	RM
Net profit for the year	6,997,251	25,664,823	9,872,966	21,811,517
Other comprehensive income/(loss)				
<u>Items that may be reclassified to</u> <u>income statements in</u> <u>subsequent periods:</u>				
Fair value changes on AFS financial assets:				
- Gains on fair value changes	(2,843,126)	838,681	(5,698,443)	3,210,894
Total comprehensive income for the year	<u>4,154,125</u>	<u>26,503,504</u>	<u>4,174,523</u>	<u>25,022,411</u>
Total comprehensive income for the year attributable to:				
Equity holders of the Company	4,176,458	4,786,428	4,174,523	4,774,801
Non-controlling interests	(22,333)	149,013	-	-
	<u>4,154,125</u>	<u>4,935,441</u>	<u>4,174,523</u>	<u>4,774,801</u>

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PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021

Group

	←————— Attributable to owners of the Company —————→						
	←————— Non-distributable			—————→ Distributable			
	Share capital RM	Property revaluation reserve RM	AFS reserve RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
At 1 January 2020	100,000,000	6,159,332	2,524,268	162,270,796	270,954,396	4,148,301	275,102,697
Total comprehensive income for the year	-	-	838,681	3,947,747	4,786,428	149,013	4,935,441
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(1,049)	(1,049)
At 30 June 2020	100,000,000	6,159,332	3,362,949	166,218,543	275,740,824	4,296,265	280,037,089
At 1 January 2021	100,000,000	6,159,332	2,635,457	186,466,429	295,261,218	4,416,992	299,678,210
Total comprehensive income for the year	-	-	(2,843,126)	7,019,584	4,176,458	(22,333)	4,154,125
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	106	106
At 30 June 2021	100,000,000	6,159,332	(207,669)	193,486,013	299,437,676	4,394,765	303,832,441

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PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021

Company

	←————— Attributable to owners of the Company —————→				
	←————— Non-distributable —————→		—————→ Distributable		
	Share capital RM	Property revaluation reserve RM	AFS reserve RM	Retained earnings RM	Total equity RM
At 1 January 2020	100,000,000	6,159,332	7,736,771	157,112,718	271,008,821
Total comprehensive income for the year	-	-	3,210,894	1,563,907	4,774,801
At 30 June 2020	<u>100,000,000</u>	<u>6,159,332</u>	<u>10,947,665</u>	<u>158,676,625</u>	<u>275,783,622</u>
At 1 January 2021	100,000,000	6,159,332	10,943,551	178,225,915	295,328,798
Total comprehensive income for the year	-	-	(5,698,443)	9,872,966	4,174,523
At 30 June 2021	<u>100,000,000</u>	<u>6,159,332</u>	<u>5,245,108</u>	<u>188,098,881</u>	<u>299,503,321</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

Group	30.06.2021	30.06.2020
	RM	RM
Cash flow from operating activities		
Profit before taxation	10,137,251	4,596,760
Adjustments for:		
Interest income	(3,397,869)	(3,885,675)
Dividend income	(1,183,801)	(978,654)
Distribution income	(1,405,387)	(1,757,129)
Realised gains	(11,341,527)	(3,841,705)
Fair value losses	10,969,932	6,878,062
Purchase of AFS financial assets	(2,405,387)	(1,757,129)
Purchase of FVTPL financial assets	(48,386,788)	(80,602,926)
Proceeds from disposal of FVTPL financial assets	79,501,046	75,427,025
Interest received	3,488,946	3,983,329
Dividends received	1,183,801	978,654
Reinvestment of distributions	1,405,387	1,757,129
Interest expense on lease liabilities	93,332	99,269
Non-cash items:		
Depreciation of property and equipment	593,714	531,658
Depreciation of right-of-use assets	186,936	186,672
Net amortisation of premiums	73,446	76,712
Allowance for impairment losses on insurance receivables	440,977	250,957
Gains on disposal of property and equipment	-	(350)
Changes in working capital:		
Increase in reinsurance assets	(42,791,334)	(29,901,360)
Increase in loans and receivables	(1,240,603)	(1,664,154)
Increase in insurance receivables, net of allowance for impairment	(3,891,835)	(8,347,165)
(Increase)/decrease in fixed and call deposits	(20,301,203)	14,145,193
Increase in insurance contract liabilities	42,045,201	27,767,521
Increase in insurance payables	1,308,495	8,592,477
Decrease in other payables	(3,337,642)	(9,631,106)
Cash generated from operating activities carried forward	<u>11,745,088</u>	<u>2,904,065</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021 (CONT'D.)

Group	30.06.2021	30.06.2020
	RM	RM
Cash flow from operating activities (Cont'd.)		
Cash generated from operating activities brought forward	11,745,088	2,904,065
Income tax paid, net	(7,588)	(1,700,002)
Net cash generated from operating activities	<u>11,737,500</u>	<u>1,204,063</u>
Investing Activities		
Proceeds from disposal of property and equipment	-	350
Purchase of property and equipment	(1,259,874)	(545,086)
Net cash used in investing activities	<u>(1,259,874)</u>	<u>(544,736)</u>
Financing Activities		
Payment of lease liabilities	(257,928)	(257,628)
Proceeds from cancellation of units in wholesale unit trusts to non-controlling interests	106	(1,049)
Net cash used in financing activities	<u>(257,822)</u>	<u>(258,677)</u>
Net increase in cash and cash equivalents	10,219,804	400,650
Cash and cash equivalents at beginning of year	7,250,756	9,666,326
Cash and cash equivalents at end of year	<u>17,470,560</u>	<u>10,066,976</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021 (CONT'D.)

Company	30.06.2021	30.06.2020
	RM	RM
Cash flow from operating activities		
Profit before taxation	13,012,966	2,063,907
Adjustments for:		
Interest income	(643,321)	(915,040)
Dividend income	(1,183,801)	(978,654)
Distribution income	(3,617,137)	(4,232,190)
Realised gains	(11,222,329)	(3,832,528)
Fair value losses	7,711,196	9,201,664
Purchase of AFS financial assets	(4,617,137)	(4,232,190)
Purchase of FVTPL financial assets	(30,627,838)	(71,366,676)
Proceeds from disposal of FVTPL financial assets	64,509,146	72,880,525
Interest received	721,519	1,017,643
Dividends received	1,183,801	978,654
Reinvestment of distributions	3,617,137	4,232,190
Interest expense on lease liabilities	93,332	99,269
Non-cash items:		
Depreciation of property and equipment	593,714	531,658
Depreciation of right-of-use assets	186,936	186,672
Allowance for impairment losses on insurance receivables	440,977	250,957
Losses on disposal of property and equipment	-	(350)
Changes in working capital:		
Increase in reinsurance assets	(42,791,334)	(29,901,360)
Increase in loans and receivables	(1,240,603)	(1,664,154)
Increase in insurance receivables, net of allowance for impairment	(3,891,835)	(8,347,165)
(Increase)/decrease in fixed and call deposits	(21,723,856)	9,265,110
Increase in insurance contract liabilities	42,045,201	27,767,521
Increase in insurance payables	1,308,495	8,592,477
Decrease in other payables	(3,318,189)	(9,624,635)
Cash generated from operating activities carried forward	<u>10,547,040</u>	<u>1,973,305</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021 (CONT'D.)

Company	30.06.2021	30.06.2020
	RM	RM
Cash flow from operating activities (Cont'd.)		
Cash generated from operating activities carried forward	10,547,040	1,973,305
Income tax paid, net	(7,588)	(1,700,002)
Net cash generated from operating activities	<u>10,539,452</u>	<u>273,303</u>
Investing Activities		
Proceeds from disposal of property and equipment	-	350
Purchase of property and equipment	(1,259,874)	(545,086)
Net cash used in investing activities	<u>(1,259,874)</u>	<u>(544,736)</u>
Financing Activities		
Payment of lease liabilities	(257,928)	(257,628)
Net cash used in financing activities	<u>(257,928)</u>	<u>(257,628)</u>
Net increase/(decrease) in cash and cash equivalents	9,021,650	(529,061)
Cash and cash equivalents at beginning of year	<u>5,926,718</u>	<u>9,437,604</u>
Cash and cash equivalents at end of year	<u>14,948,368</u>	<u>8,908,543</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the six months ended 30 June 2021 of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting*, International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, the requirements of the Companies Act, 2016, and the Financial Services Act, 2013 in Malaysia.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2020.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2020. The Group and the Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. UNUSUAL ITEM

The assets, liabilities, equity, net income and cash flows of the Group and of the Company in the interim period ended 30 June 2021 were not substantially affected by any item of a material and unusual nature.

3. CHANGES IN ESTIMATES

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

4. DIVIDEND PAID

No dividend has been declared for the interim period ended 30 June 2021.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

5. EVENTS AFTER THE INTERIM PERIOD

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

6. INVESTMENTS

(a) AFS Financial Assets

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM	RM	RM	RM
Corporate debt securities	1,000,001	1	1,000,001	1
Wholesale unit trust funds	75,934,734	77,372,473	204,272,985	206,354,291
Total (a)	76,934,735	77,372,474	205,272,986	206,354,292

(b) Financial Assets at FVTPL

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM	RM	RM	RM
<u>Held for trading:</u>				
Malaysian Government				
Securities	-	5,327,125	-	-
Corporate debt securities	124,227,342	119,359,030	-	-
Real estate investment trusts (REITs)				
Equity securities quoted in Malaysia	2,288,654	2,416,672	2,288,654	2,416,672
Total (b)	66,645,044	96,887,199	66,645,044	96,887,199
Total investments (a) + (b)	270,095,775	301,362,500	274,206,684	305,658,163

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

6. INVESTMENTS (CONT'D.)

(c) Investments in subsidiaries - Wholesale unit trust funds

The Company's investments in subsidiaries are wholesale unit trust funds amounting to RM128,338,251 (2020: RM128,981,818) in Malaysia as follows:

<u>Established in Malaysia</u>	<u>Effective Direct Interests</u>	
	30.06.2021	31.12.2020
Affin Hwang Institutional Bond Fund	96.54%	96.55%
United Institutional Income Fund	96.85%	96.83%

The Company considers that the non-controlling interests in the above subsidiaries are not significant and accordingly no disclosures are provided in respect of the summarised income statements, summarised statements of comprehensive income, summarised statements of financial position and summarised statements of cash flow.

The principal activities of the subsidiaries are as follows:

<u>Subsidiary</u>	<u>Principal activity</u>
Affin Hwang Institutional Bond Fund	Unit trust fund holding investments in fixed income securities/sukuk
United Institutional Income Fund	Unit trust fund holding investments in fixed income securities

7. REINSURANCE ASSETS

	Note	Group/Company	
		30.06.2021	31.12.2020
		RM	RM
Reinsurance of insurance contracts:			
Claim liabilities	10 (i)	133,495,809	89,808,884
Premium liabilities	10 (ii)	35,507,867	36,403,458
		<u>169,003,676</u>	<u>126,212,342</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

8. LOANS AND OTHER RECEIVABLES

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM	RM	RM	RM
<u>Other receivables:</u>				
Other receivables				
and deposits	489,097	1,323,429	489,097	1,323,429
Prepayments	581,585	188,446	581,585	188,446
Income due and accrued	233,623	311,821	233,623	311,821
Share of net assets held by				
Malaysian Motor Insurance				
Pool ("MMIP")*	47,651,231	46,854,518	47,651,231	46,854,518
Amounts receivable from sale				
of shares	168,941	121,419	168,941	121,419
	<u>49,124,477</u>	<u>48,799,633</u>	<u>49,124,477</u>	<u>48,799,633</u>
Less: Allowance for				
impairment	-	(837,561)	-	(837,561)
	<u>49,124,477</u>	<u>47,962,072</u>	<u>49,124,477</u>	<u>47,962,072</u>
<u>Fixed and call deposits with:</u>				
Licensed banks in Malaysia	68,221,087	47,919,884	62,225,690	40,501,834
Other financial institutions	34,000,000	34,000,000	34,000,000	34,000,000
	<u>102,221,087</u>	<u>81,919,884</u>	<u>96,225,690</u>	<u>74,501,834</u>
Total loans and other				
 receivables	<u>151,345,564</u>	<u>129,881,956</u>	<u>145,350,167</u>	<u>122,463,906</u>

The carrying amounts of financial assets disclosed above approximate fair values at reporting date.

Included in the fixed and call deposits are cash collaterals received from policyholders of RM29,956,819 (2020: RM26,053,145) for guarantees issued on behalf of policyholders (Note 11).

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

9. INSURANCE RECEIVABLES

	Group/Company	
	30.06.2021	31.12.2020
	RM	RM
Due premiums including agents/brokers and co-insurers balances	22,897,208	24,067,654
Due from reinsurers and cedants	8,926,221	3,863,940
	<u>31,823,429</u>	<u>27,931,594</u>
Less: Allowance for impairment	(5,914,146)	(5,473,169)
	<u>25,909,283</u>	<u>22,458,425</u>

	Group/Company		
	Individually impaired	Collectively impaired	Total
	RM	RM	RM
Movement in allowance accounts:			
At 1 January 2021	1,735,479	3,737,690	5,473,169
Allowance for impairment losses	111,754	329,223	440,977
At 30 June 2021	<u>1,847,233</u>	<u>4,066,913</u>	<u>5,914,146</u>

	Group/Company		
	Individually impaired	Collectively impaired	Total
	RM	RM	RM
Movement in allowance accounts:			
At 1 January 2020	1,437,493	3,046,535	4,484,028
Allowance for impairment losses	297,986	691,155	989,141
At 31 December 2020	<u>1,735,479</u>	<u>3,737,690</u>	<u>5,473,169</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

10. INSURANCE CONTRACT LIABILITIES

Group/Company	← 30.06.2021 →			← 31.12.2020 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	161,419,756	(112,552,329)	48,867,427	126,185,303	(74,678,932)	51,506,371
Provision for incurred but not reported claims ("IBNR")	34,161,536	(9,480,973)	24,680,563	30,705,487	(6,964,060)	23,741,427
Claims handling expenses	2,266,939	-	2,266,939	2,174,964	-	2,174,964
Provision of risk margin for adverse deviations ("PRAD")	16,467,945	(11,560,251)	4,907,694	12,993,900	(8,276,102)	4,717,798
Less: Impairment on reinsurance assets	-	97,744	97,744	-	110,210	110,210
Claim liabilities (i)	214,316,176	(133,495,809)	80,820,367	172,059,654	(89,808,884)	82,250,770
Premium liabilities (ii)	64,441,080	(35,507,867)	28,933,213	64,652,401	(36,403,458)	28,248,943
	278,757,256	(169,003,676)	109,753,580	236,712,055	(126,212,342)	110,499,713
(i) Claim Liabilities						
At 1 January	172,059,654	(89,808,884)	82,250,770	169,743,735	(78,326,917)	91,416,818
Claims incurred in the current accident year	95,050,824	(54,564,779)	40,486,045	116,738,014	(56,499,046)	60,238,968
Movements in claims incurred in prior accident years	(34,245,866)	4,775,079	(29,470,787)	(69,175,934)	29,723,865	(39,452,069)
Claims paid during the year	(18,548,436)	6,102,775	(12,445,661)	(45,246,161)	15,293,214	(29,952,947)
At 30 June / 31 December	214,316,176	(133,495,809)	80,820,367	172,059,654	(89,808,884)	82,250,770

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

10. INSURANCE CONTRACT LIABILITIES (CONT'D)

Group/Company (Cont'd.)	← 30.06.2021 →			← 31.12.2020 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
(ii) Premium Liabilities						
At 1 January	64,652,401	(36,403,458)	28,248,943	63,713,347	(31,319,730)	32,393,617
Premiums written in the year	63,475,424	(35,857,250)	27,618,174	127,648,990	(78,190,935)	49,458,055
Premiums earned during the year	(63,686,745)	36,752,841	(26,933,904)	(126,709,936)	73,107,207	(53,602,729)
At 30 June / 31 December	64,441,080	(35,507,867)	28,933,213	64,652,401	(36,403,458)	28,248,943

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

11. OTHER FINANCIAL LIABILITIES

	Group/Company	
	30.06.2021	31.12.2020
	RM	RM
Cash collateral deposits received from policyholders (Note 8)	29,956,819	26,053,145
Interest on cash collateral deposits received from policyholders	1,251,400	1,228,780
	<u>31,208,219</u>	<u>27,281,925</u>

12. INSURANCE PAYABLES

	Group/Company	
	30.06.2021	31.12.2020
	RM	RM
Due to reinsurers and cedants	21,601,427	21,695,949
Due to agents/brokers and co-insurers balances	2,202,529	799,512
	<u>23,803,956</u>	<u>22,495,461</u>

13. OTHER PAYABLES

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM	RM	RM	RM
Provision for bonus	4,133,233	2,754,433	4,133,233	2,754,433
Amounts payable for purchase of shares/bonds	67,946	5,973,653	67,946	5,973,653
Salaries and wages control	413,701	391,490	413,701	391,490
Other payables	1,116,972	1,194,880	1,039,412	1,097,867
Accrued expenses	1,372,389	4,053,721	1,372,389	4,053,721
	<u>7,104,241</u>	<u>14,368,177</u>	<u>7,026,681</u>	<u>14,271,164</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

14. FAIR VALUE ESTIMATION

As at 30 June 2021, the fair value of the Group's and the Company's financial assets at FVTPL and AFS financial assets and property and equipment are as follows:

Group	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold					
office lots	7,031,000	-	-	7,031,000	7,031,000
Long-term					
leasehold					
office lots	4,797,100	-	-	4,797,100	4,797,100
	<u>11,828,100</u>	<u>-</u>	<u>-</u>	<u>11,828,100</u>	<u>11,828,100</u>
AFS financial assets:					
Corporate debt securities	1,000,001	-	1,000,001	-	1,000,001
Wholesale unit trust funds	75,934,734	75,934,734	-	-	75,934,734
	<u>76,934,735</u>	<u>75,934,734</u>	<u>1,000,001</u>	<u>-</u>	<u>76,934,735</u>
Financial assets at FVTPL:					
Malaysian Government Securities	-	-	-	-	-
Corporate debt securities	124,227,342	-	124,227,342	-	124,227,342
REITs	2,288,654	2,288,654	-	-	2,288,654
Equity securities	66,645,044	66,645,044	-	-	66,645,044
	<u>193,161,040</u>	<u>68,933,698</u>	<u>124,227,342</u>	<u>-</u>	<u>193,161,040</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

14. FAIR VALUE ESTIMATION (CONT'D.)

As at 30 June 2021, the fair value of the Group's and the Company's financial assets at FVTPL and AFS financial assets and property and equipment are as follows: (Cont'd.)

Company	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold					
office lots	7,031,000	-	-	7,031,000	7,031,000
Long-term					
leasehold					
office lots	4,797,100	-	-	4,797,100	4,797,100
	<u>11,828,100</u>	<u>-</u>	<u>-</u>	<u>11,828,100</u>	<u>11,828,100</u>
AFS financial assets:					
Corporate debt					
securities	1,000,001	-	1,000,001	-	1,000,001
Wholesale unit					
trust funds	204,272,985	204,272,985	-	-	204,272,985
	<u>205,272,986</u>	<u>204,272,985</u>	<u>1,000,001</u>	<u>-</u>	<u>205,272,986</u>
Financial assets at FVTPL:					
REITs	2,288,654	2,288,654	-	-	2,288,654
Equity securities	66,645,044	66,645,044	-	-	66,645,044
	<u>68,933,698</u>	<u>68,933,698</u>	<u>-</u>	<u>-</u>	<u>68,933,698</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

14. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2020, the fair value of the Group's and the Company's financial assets at FVTPL and AFS financial assets and property and equipment are as follows:

Group	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold					
office lots	7,110,000	-	-	7,110,000	7,110,000
Long-term					
leasehold					
office lots	4,851,000	-	-	4,851,000	4,851,000
	<u>11,961,000</u>	<u>-</u>	<u>-</u>	<u>11,961,000</u>	<u>11,961,000</u>
AFS financial assets:					
Corporate debt securities	1	-	1	-	1
Wholesale unit trust funds	77,372,473	77,372,473	-	-	77,372,473
	<u>77,372,474</u>	<u>77,372,473</u>	<u>1</u>	<u>-</u>	<u>77,372,474</u>
Financial assets at FVTPL:					
Malaysian					
Government Securities	5,327,125	-	5,327,125	-	5,327,125
Corporate debt securities	119,359,030	-	119,359,030	-	119,359,030
REITs	2,416,672	2,416,672	-	-	2,416,672
Equity securities	96,887,199	96,887,199	-	-	96,887,199
	<u>223,990,026</u>	<u>99,303,871</u>	<u>124,686,155</u>	<u>-</u>	<u>223,990,026</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

14. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2020, the fair value of the Group's and the Company's financial assets at FVTPL and AFS financial assets and property and equipment are as follows: (Cont'd.)

Company	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold					
office lots	7,110,000	-	-	7,110,000	7,110,000
Long-term leasehold					
office lots	4,851,000	-	-	4,851,000	4,851,000
	<u>11,961,000</u>	<u>-</u>	<u>-</u>	<u>11,961,000</u>	<u>11,961,000</u>
AFS financial assets:					
Corporate debt securities	1	-	1	-	1
Wholesale unit trust funds	206,354,291	206,354,291	-	-	206,354,291
	<u>206,354,292</u>	<u>206,354,291</u>	<u>1</u>	<u>-</u>	<u>206,354,292</u>
Financial assets at FVTPL:					
REITs	2,416,672	2,416,672	-	-	2,416,672
Equity securities	96,887,199	96,887,199	-	-	96,887,199
	<u>99,303,871</u>	<u>99,303,871</u>	<u>-</u>	<u>-</u>	<u>99,303,871</u>

For investments in unit trust funds consisting of Real Estate Investment Trust ("REIT"), fair value is determined by reference to published net asset values, while the fair values of equity securities are obtained from Bursa Malaysia. The fair value of wholesale unit trust funds, REITs and equity securities are regarded as Level 1 as the fair values are derived from prices quoted in an active market.

The fair values of Malaysian Government Securities and corporate debt securities are obtained from Bond Pricing Agency Malaysia ("BPAM"). These financial instruments are regarded as Level 2 as the significant inputs are observable.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

14. FAIR VALUE ESTIMATION (CONT'D.)

For property and equipment, the fair value is obtained from valuations performed by external valuers using the comparison method and are regarded as Level 3 as the significant inputs are not observable.

There were no changes in classification of assets under Level 1 and Level 2 of the fair value hierarchy.

The following financial assets and liabilities are not carried at fair values, but their carrying values approximate fair values as they are short term in nature or the impact of discounting is not material:

- Loans and receivables (that are classified as financial instruments)
- Insurance receivables
- Cash and bank balances
- Other financial liabilities
- Insurance payables
- Other payables (that are classified as financial instruments)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

15. REGULATORY CAPITAL REQUIREMENTS

The Company is required to comply with the mandatory capital requirements prescribed in the RBC Framework issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at 30 June 2021 and 31 December 2020, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as prescribed under the RBC Framework is provided below:

	30.06.2021	31.12.2020
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings*	<u>183,098,881</u>	<u>173,225,915</u>
	<u>283,098,881</u>	<u>273,225,915</u>
Tier 2 Capital		
Eligible reserves*	<u>16,404,440</u>	<u>22,102,883</u>
	<u>16,404,440</u>	<u>22,102,883</u>
Deduction		
Amount deducted from capital	<u>(3,192,860)</u>	<u>(2,415,715)</u>
	<u>(3,192,860)</u>	<u>(2,415,715)</u>
Total capital available	<u>296,310,461</u>	<u>292,913,083</u>

*RM5 million of asset replacement reserve was reclassified from retained earnings to eligible reserves which is in-line with Insurance Companies Statistical System (“ICSS”) Guidance Notes Part IV, Section 64, definition of general reserves.