

Registration No.

199801001430 (457556-X)

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Registration No.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
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**DIRECTORS' REPORT**

The Directors are pleased to submit their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is the underwriting of all classes of life insurance business, including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

**FINANCIAL RESULTS**

	RM'000
Net profit for the financial year	<u>20,277</u>

**DIVIDENDS**

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
Final single tier dividend of 16.24 sen per ordinary shares, paid on 28 June 2019	<u>36,700</u>

As at 6 May 2020, the Directors have not recommended any final dividend for the financial year ended 31 December 2019.

**SHARE CAPITAL**

There was no issuance of new ordinary shares during the financial year.

**RESERVES AND PROVISIONS**

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

**PROVISION FOR INSURANCE LIABILITIES**

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that there was adequate provision for the insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM") for insurers.

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## DIRECTORS' REPORT (CONTINUED)

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors of the Company are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

### CURRENT ASSETS

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of the Company have been written down to an amount which the current assets might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

### VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

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**DIRECTORS' REPORT (CONTINUED)**

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

**CORPORATE GOVERNANCE DISCLOSURE**

**A. BOARD OF DIRECTORS**

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Dato' Dr Yahya Bin Awang	Chairman, Non-Independent Non-Executive Director
Datuk Leong Kam Weng	Independent Director
Chuah Sue Yin	Independent Director
Tang Loo Chuan	Executive Director
U Chen Hock	Independent Director (appointed on 1 April 2020)

The Board of Directors ("Board") has the overall responsibility for promoting sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public.

The Board is responsible for:

- (a) reviewing and approving the strategic plan for the Company including the 3-year IT and cybersecurity strategic plans;
- (b) reviewing and approving the Company's overall risk strategy, risk appetite including the technology risk appetite; and oversee its implementation;
- (c) identifying principal risks and ensure the implementation of appropriate systems to manage these risks, including application of immediate remedial measures should the need arise;
- (d) ensuring the Company maintains an appropriate level and quality of capital for its risk profile and business plan;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)**

**A. BOARD OF DIRECTORS (CONTINUED)**

The Board is responsible for: (continued)

- (e) approving and overseeing the effective implementation of sound and robust Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF"), and ensure the risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive.
- (f) overseeing the conduct of the Company's business, including that of participating business, to ensure sound management by the senior management and to evaluate whether the business is properly managed towards achieving corporate objectives, and that the Company's dealings with shareholders, policyholders, claimants and creditors are conducted in a fair and equitable manner;
- (g) safeguarding the integrity and credibility of the Company, including ensuring that the senior management and all levels of employees conduct business with highest level of moral behavior and in a manner that instills public confidence;
- (h) providing a clear framework of objectives and policies for the senior management to operate, including the setting of authority limits and reporting lines;
- (i) reviewing and be responsible for the adequacy and integrity of the Company's internal control systems and management information systems, including policies and procedures for compliance with applicable laws, regulations, rules, directives and guidelines;
- (j) developing, implementing and maintaining an effective communications policy that enables both the Board and the senior management to communicate effectively with its shareholders, stakeholders and public;
- (k) safeguarding the interests of policyholders and shareholders with trustworthy, prudent, efficient and able administration; and
- (l) adhering to sound corporate governance principles in the appointment or reappointment of Directors, Chief Executive Officer and Company Secretary, the structure and composition of the Board and the individual Board committees as well as relevant disclosures.

The detailed responsibilities of the Board is set out in the Board Charter, which is available at the website, [www.tokiomarine.com](http://www.tokiomarine.com).

**A1 Composition of the Board**

The Board is made up of 3 Independent Non-Executive Directors, 1 Non-Independent Non-Executive Director and 1 Executive Director. The appointments and re-appointments of all Board members were approved by BNM.

The Board comprises members from diverse backgrounds and qualifications and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company. This composition is the right mix for proper governance of the Company.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

All members of the Board complied with BNM's requirements on the minimum criteria of "A Fit and Proper Person" as prescribed under the Financial Services Act, 2013 ("FSA 2013").

The profiles of the Board members are as follows:

#### **Tan Sri Dato' Dr Yahya Bin Awang – Chairman, Non-Independent Non-Executive Director**

##### **Working experience:**

Tan Sri Yahya was appointed as Chairman and Director of our Company on 3 July 2007. He is a member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management and Compliance Committee. On 3 July 2019, he was redesignated to Non-Independent Non-Executive Director following Bank Negara Malaysia's approval for his re-appointment.

Tan Sri Yahya graduated from Monash University, Australia with a Bachelor of Medicine and Bachelor of Surgery degree in December 1974 and in October 1984, he received a Diploma of Fellowship from The Royal College of Surgeons and Physicians of Glasgow, Scotland, United Kingdom.

After completing his housemanship in Hospital Sultanah Aminah in Johor Bahru in December 1975, Tan Sri Yahya became a Medical Officer in Kota Tinggi District Hospital from January 1976 to April 1976, and subsequently, a Medical Officer in Hospital Sultanah Aminah from May 1976 to December 1978. He then took on the position of Senior Medical Officer in the Department of Surgery in Kuala Lumpur General Hospital in January 1979. In January 1980, Tan Sri Yahya obtained the Fellowship of the Royal College of Surgeons and Physicians of Glasgow, Scotland, United Kingdom as a training surgeon until June 1981. Thereafter, in July 1981, Tan Sri Yahya joined the Department of Cardiothoracic Surgery at Brompton Hospital, London, United Kingdom as a Senior Surgical Resident, and became the Surgical Registrar there from January 1983 to November 1983. He subsequently returned to Malaysia and joined the Kuala Lumpur General Hospital, first as a Cardiothoracic Surgeon from December 1983 to June 1985, and then as the Head and Senior Consultant Cardiothoracic Surgeon from July 1985 to June 1992 and finally, as the Medical Consultant Surgeon from July 1992 to September 1998. From October 1998 to October 2002, Tan Sri Yahya took on the position as the Medical Director and Head and Senior Consultant Cardiothoracic Surgeon at the National Heart Institute of Malaysia and subsequently as the Medical Director and acting Chief Executive Officer of the National Heart Institute of Malaysia from November 2002 until February 2004. Tan Sri Yahya was also the visiting Consultant Cardiothoracic Surgeon at the Selangor Specialist Hospital Sdn Bhd between August 2006 and August 2015 and a visiting Consultant Cardiothoracic Surgeon at Damansara Specialist Hospital Sdn Bhd between February 2004 and May 2018.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

The profiles of the Board members are as follows: (continued)

#### **Tan Sri Dato' Dr Yahya Bin Awang – Chairman, Non-Independent Non-Executive Director (continued)**

##### **Working experience: (continued)**

Between April 2016 and December 2018, Tan Sri Yahya was a visiting Consultant Cardiothoracic Surgeon at the Prince Court Medical Centre Sdn Bhd. Since December 2017, he has been a resident Consultant Cardiothoracic Surgeon at the Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd.

Further, since April 1993, he has been a committee member and the founding Chairman of the Malaysian Board of Cardiothoracic Surgery and a member of the Malaysian Association of Thoracic & Cardiovascular Surgery. Since September 2005, he is a member and Chairman of the Board of Governors of International Medical University Malaysia. From July 2011 until October 2016, he was the Pro-Chancellor of Universiti Teknologi Malaysia.

In 2013, Tan Sri Yahya was awarded the Merdeka Award for his contribution to pioneering the development of clinical research and cardiac surgery in Malaysia and for his instrumental role in the establishment of the National Heart Institute of Malaysia.

Tan Sri Yahya currently holds directorships in a number of public and private companies and foundations, including MPHB Capital Berhad, Hertz Surgery Sdn Bhd, SH Derm Sdn Bhd, Ivolis Sdn Bhd, Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd, Cardiac Vascular Sentral Holdings (Malaysia) Sdn Bhd, Gribbles Pathology Malaysia, Perikatan Asia Sdn Bhd, Yayasan Wah Seong, Sultan Ibrahim Johor Foundation and RHB Foundation.



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### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

The profiles of the Board members are as follows: (continued)

#### **Datuk Leong Kam Weng – Independent Director**

##### **Working experience:**

Datuk Leong was appointed as a Director of our Company on 1 July 2015. He is the chairman of the Audit Committee, Nominating Committee and Remuneration Committee and a member of the Risk Management and Compliance Committee.

Datuk Leong graduated with a Bachelor of Economics degree and a Bachelor of Laws degree from Monash University, Australia in April 1986 and May 1988 respectively. He is a Chartered Accountant of the Malaysian Institute of Accountants since October 2004 and a Fellow of CPA Australia since September 2013. He was called to the Malaysian Bar in January 1989 and is a certified mediator on the panel of the Malaysian Mediation Centre, Bar Council Malaysia.

Datuk Leong was practising as an advocate and solicitor in Chooi & Co from January 1989 to January 1992, after which he joined TA Securities Sdn Bhd as the Manager of the Legal Department to manage and oversee the legal affairs for the TA Enterprise Berhad and TA Global Berhad group of companies in February 1992. He became the Senior Manager / Head of the Legal Department of TA Securities Sdn. Bhd. in July 1993. Between November 1993 and October 1995, he was also made the Vice President of the International Division of TA Enterprise Berhad where his responsibilities include the identification of investment opportunities in the Asia Pacific region, and the negotiation and implementation of such investments. Datuk Leong subsequently took on the position of General Manager cum Executive Director in Credit Leasing Corporation Sdn Bhd (which was, at the time, a wholly-owned subsidiary of TA Enterprise Berhad) from November 1995 to February 1997, where he oversaw and managed the operations of the company. From March 1997 to June 1998, he joined TA Bank of Philippines Inc as an Executive Director where he assisted the Chief Executive Officer in the management of the bank, in particular in relation to corporate finance matters. He was also a member of the bank's Assets and Lending Committee which oversaw the approval of loans and the determination of lending policies and interest rates. He returned to Malaysia and became the Chief Executive Officer of TA Securities Berhad from June 1998 to July 1999. Since July 1999, he has been a Partner at a law firm, Messrs Iza Ng Yeoh & Kit since July 1999 and is now the Joint Managing Partner of the said law firm.

Datuk Leong currently holds directorships in a number of public and private companies, including TA Enterprise Berhad, TA Global Berhad, Asian Outreach (Malaysia) Bhd, Xin Hwa Holdings Berhad, Pecca Group Berhad, Riang Satria Sdn Bhd and Keep Linked Sdn Bhd.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

The profiles of the Board members are as follows: (continued)

#### Chuah Sue Yin – Independent Director

##### **Working experience:**

Ms. Chuah was appointed as a Director of our Company on 8 May 2016. She is the chairperson of the Risk Management and Compliance Committee and a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Ms. Chuah graduated with a Bachelor of Science with Honours in Management Science from the University of Warwick, United Kingdom in July 1994. She is a Chartered Accountant of the Malaysian Institute of Accountants since April 1999 and a Fellow member of the Institute of Chartered Accountants in England & Wales since April 2012. She is also an associate of the Malaysian Institute of Taxation (now known as Chartered Tax Institute of Malaysia) since August 2007.

Further, Ms. Chuah is an approved company auditor under the Companies Act, 1965 (which has since been repealed by the Act), a Registered Auditor of Public Interest Entity under the Securities Commission Malaysia Act, 1993, an Auditor of Co-operative Societies under the Co-operatives Societies Act, 1993, a Registered ASEAN Chartered Professional Accountant, a tax agent under the Income Tax Act, 1967.

Ms. Chuah began her career in September 1994 as a Senior Accountant in Coopers & Lybrand Birmingham, United Kingdom where she performed and managed various audit assignments. Thereafter, she joined PricewaterhouseCoopers London, United Kingdom as the Supervisor of the Risk Assurance Division from September 1997 to December 1998 where she performed and managed various risk management and computer audit assignments. She subsequently returned to Malaysia and joined PCCO PLT as a Senior Manager from January 1999 to April 2004. She became a Partner of PCCO PLT in April 2004 and since April 2007, she has been the Managing Partner of PCCO PLT. She oversees the finance and operations of the firm and manages the financial accounting and reporting, internal and external audits and due diligence portfolio of PCCO PLT.

She has also been the Director of PCCO Management Services Sdn Bhd ("PCCO Management") since January 1999 and PCCO Tax Services Sdn Bhd ("PCCO Tax") since April 2004. Further, she has been the Managing Director of PCCO Tax and PCCO Management since April 2007, where she oversees the finance and operations of the companies, manages tax portfolio of PCCO Tax and manages the financial accounting and reporting, internal audit, due diligence and human resource functions of PCCO Management.

Ms. Chuah currently holds directorships in a number of public and private companies including BP Plastics Holding Bhd, PCCO Management and PCCO Tax.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

The profiles of the Board members are as follows: (continued)

#### **Tang Loo Chuan – Executive Director**

##### **Working experience:**

Mr. Tang was appointed as a Director of our Company on 8 May 2016. He is a member of the Nominating Committee. He was a Non-Independent Non-Executive Director and also a member of the Remuneration Committee and the Risk Management and Compliance Committee until 7 May 2018. On 8 May 2018, he was redesignated to Non-Independent Executive Director and on the same day, relinquished his position as member of the Remuneration Committee and the Risk Management and Compliance Committee following BNM's approval for his re-appointment.

Mr. Tang graduated from Nanyang Technological University, Singapore with a Bachelor of Business (specialising in Actuarial Science) in May 1994. Since July 2003, he is a Fellow of the Institute of Actuaries, United Kingdom (now known as Institute & Faculty of Actuaries).

He began his career in May 1994 as a Senior Actuarial Assistant in the Insurance Corporation of Singapore Limited where he oversaw product pricing and valuation functions as well as the customisation of actuarial valuation software. He subsequently joined The Asia Life Assurance Society Limited (Singapore) as the Actuarial Manager from May 1997 to May 2002 where he oversaw product pricing, product development and stress test reporting. He then took on the position of an Actuarial Manager in John Hancock Life Assurance Company Limited from May 2002 to May 2004 where he oversaw product pricing, product development, stress test reporting and experience studies. Mr. Tang subsequently joined Manulife (Singapore) Pte Limited (following the merger of Manulife (Singapore) Pte Ltd and John Hancock Life Assurance Company Ltd in 2004) as the Vice President and Appointed Actuary, from May 2004 to May 2008, where he was the head of pricing and local risk-based capital reporting. From June 2008 to March 2010, Mr. Tang was the Appointed Actuary of UOB Life Assurance Ltd (now Pru Life Assurance Ltd) where he oversaw product pricing, product development, local risk-based capital framework, stress test reporting, reinsurance and participating fund governance. He was also a member of the company's investment committee and bancassurance committee. He subsequently joined AXA Life Insurance Singapore Pte Ltd from June 2010 to September 2011 as the Chief Actuary and Appointed Actuary where he similarly oversaw product pricing, local risk-based capital framework, stress test reporting, reinsurance, par fund governance and asset liability management. During the same period, he was also a member the Agency Compensation Review Workgroup and the Local Investment Committee of AXA Life Insurance Singapore Pte Ltd. He then joined Aviva Ltd from October 2011 to January 2015 as an Appointed Actuary, where he was also the deputy to the chief financial officer and oversaw product pricing, local risk-based capital framework, capital management, stress test reporting, reinsurance, participating fund governance, asset liability management and experience studies.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

The profiles of the Board members are as follows: (continued)

#### **Tang Loo Chuan – Executive Director (continued)**

##### **Working experience: (continued)**

Since January 2015, he has been the Senior Vice President of the Life Actuarial Department of Tokio Marine Asia Pte. Ltd. ("TMAP"). He is also a corporate representative of Tokio Marine Life Insurance Singapore Ltd. ("TMLIS") in the Company. Mr. Tang oversees, among other things, product pricing, capital management policy, investment policy, participating fund governance and experience studies. He is a member of the Executive Committee of TMAP, and Asset Liability Management & Investment Committee of TMLIS. He also plays a regional role in establishing the business strategies for the Tokio Marine Group's life insurance business (outside Japan).

Mr. Tang currently holds directorships in a number of life insurance companies, namely PT Tokio Marine Life Insurance Indonesia, Edelweiss Tokio Life Insurance Company Limited and TMLIS.

#### **U Chen Hock – Independent Director**

##### **Working experience:**

Mr. U Chen Hock was appointed as a Director of our Company on 1 April 2020. He is a member of the Audit Committee, Nominating Committee and Risk Management and Compliance Committee.

Mr. U Chen Hock holds a Bachelor of Economics and Management (Hon) degree from the National University of Malaysia (UKM). He is a Certified Financial Planner (CFP), an accreditation awarded by the Financial Planning Standards Board, USA. Mr U had also attended numerous Senior Executive Leadership Programmes at INSEAD, London Business School, Duke Corporate Education and IMD during his long banking career.

Mr U is a career banker with more than 36 years of extensive experience in corporate, commercial, investment and consumer banking. He completed 30 years of his long banking career at a global banking group where he had assumed senior leadership roles in Malaysia and Taiwan and at the Asia Pacific Headquarters in Hong Kong. He left the global banking group in July 2010.

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### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A1 Composition of the Board (continued)

The profiles of the Board members are as follows: (continued)

#### **U Chen Hock – Independent Director (continued)**

##### **Working experience: (continued)**

Following his overseas stint, Mr U returned to Malaysia to join a local investment bank where he was appointed as its Chief Executive Officer. Following the successful merger of the investment bank with the investment banking arm of one of the largest Malaysian banking groups, Mr. U was rehired as Executive Director of the local banking group, first to head its expanded international banking division and then as head of its group retail banking business. He left the group upon retirement in April 2017.

Mr U was Chairman of the Financial Planning Association of Malaysia for 2 terms between 2005 to 2007.

Mr. U currently sits on the Board of AmBank (M) Berhad ("AmBank") and he is the Chairman of the Risk Management Committee and a Member of the Audit and Examination Committee of AmBank.

None of the Directors hold any share in the Company.

All Directors are required to attend the in-house orientation and education programmes within 3 months from his/her date of appointment and the Financial Institutions Directors' Education Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance within one year from his/her date of appointment.

In order to keep the Directors abreast with the dynamic and complex business environments as well as new statutory and regulatory requirements, a budget for Directors' trainings is provided each year by the Company. During the financial year, several in-house trainings had been conducted. All Directors had attended various training programmes/seminars during the financial year and the Nominating Committee reviewed the list of training programmes/seminars attended by the Directors and was satisfied with the training programmes/seminars attended by the Directors.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)**

**A. BOARD OF DIRECTORS (CONTINUED)**

**A2 Board Meetings**

The Board held seven (7) meetings during the financial year and the attendance of the Board members was as follows:

<u>Board of Directors</u>	<u>Number of meetings attended</u>
Tan Sri Dato' Dr Yahya Bin Awang	7/7
Datuk Leong Kam Weng	7/7
Chuah Sue Yin	7/7
Tang Loo Chuan	7/7
U Chen Hock	Not Applicable *

\* Mr. U Chen Hock was appointed as an Independent Director of the Company on 1 April 2020.

**A3 Board Committees**

The Board has established the following four (4) Board Committees operating on the terms of reference approved by the Board, to assist the Board in the execution of its responsibilities.

Nominating Committee ("NC")

The composition of the NC as at the date of this report are as follows:

Datuk Leong Kam Weng	Chairman, Independent Director
Tan Sri Dato' Dr Yahya Bin Awang	Non-Independent Non-Executive Director
Chuah Sue Yin	Independent Director
Tang Loo Chuan	Executive Director
U Chen Hock	Independent Director (appointed on 1 April 2020)

The NC is responsible for:

- (a) establishing a mechanism for formal assessment and carry out annual evaluation to assess the performance and the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Chief Executive Officer;
- (b) establishing the minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively;
- (c) recommending and assessing the nominees for directorship, nominees for Board Committees membership, as well as nominees for the Chief Executive Officer or senior management or Company Secretary. This includes assessing the Directors and the Chief Executive Officer or senior management or Company Secretary proposed for re-appointment where applicable, before an application is submitted to BNM;
- (d) recommending to the Board the removal of a Director or Chief Executive Officer or Company Secretary if he/she is ineffective, errant or negligent in discharging his/her responsibilities;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)**

**A. BOARD OF DIRECTORS (CONTINUED)**

**A3 Board Committees (continued)**

Nominating Committee ("NC") (continued)

The NC is responsible for: (continued)

- (e) ensuring Directors, Chief Executive Officer, senior management and Company Secretary are assessed under the Fit and Proper requirements at time of appointment, on an annual basis or as and when circumstance changed that may affect the ability to meet the minimum requirements;
- (f) assisting the Board in regular review of succession plans for the Board and Board Committees; and
- (g) ensuring that all Directors undergo appropriate induction programmes and regularly review the training needs for Directors to ensure the Directors received continuous training.

The detailed terms of reference of the NC is set out in the Board Charter, which is available at the website, [www.tokiomarine.com](http://www.tokiomarine.com).

The NC held four (4) meetings during the financial year and the attendance of the NC members was as follows:

<u>Members of the NC</u>	<u>Number of meetings attended:</u>
Datuk Leong Kam Weng	4/4
Tan Sri Dato' Dr Yahya Bin Awang	4/4
Chuah Sue Yin	4/4
Tang Loo Chuan	4/4
U Chen Hock	Not Applicable *

\* Mr. U Chen Hock was appointed as a member of NC on 1 April 2020.

Remuneration Committee ("RC")

The composition of the RC as at the date of this report are as follows:

Datuk Leong Kam Weng	Chairman, Independent Director
Tan Sri Dato' Dr Yahya Bin Awang	Non-Independent Non-Executive Director
Chuah Sue Yin	Independent Director

The RC is responsible for:

- (a) recommending and periodically review the remuneration of Directors on the Board, particularly on whether the remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken; and

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A3 Board Committees (continued)

###### Remuneration Committee ("RC") (continued)

The RC is responsible for: (continued)

- (b) recommending and periodically review the remuneration framework for the Company, where the framework should:
  - (i) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
  - (ii) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of customers; and
  - (iii) be designed and implemented with input from the control functions and the Risk Management and Compliance Committee to ensure that risk exposures and risk outcomes are adequately considered.

The detailed terms of reference of the RC is set out in the Board Charter, which is available at the website, [www.tokiomarine.com](http://www.tokiomarine.com).

The RC held two (2) meetings during the financial year and the attendance of the RC members was as follows:

<u>Members of the RC</u>	<u>Number of meetings attended</u>
Datuk Leong Kam Weng	2/2
Tan Sri Dato' Dr Yahya Bin Awang	2/2
Chuah Sue Yin	2/2

###### Audit Committee ("AC")

The composition of the AC as at the date of this report are as follows:

Datuk Leong Kam Weng	Chairman, Independent Director
Tan Sri Dato' Dr Yahya Bin Awang	Non-Independent Non-Executive Director
Chuah Sue Yin	Independent Director
U Chen Hock	Independent Director (appointed on 1 April 2020)

The AC is established pursuant to the requirements of BNM/RH/PD/029-9: Guidelines on Corporate Governance to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to stakeholders, the system of internal controls that the management and the Board have established and the audit processes. In doing so, the AC is providing an avenue for external and internal auditors to effectively voice their findings.



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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

A. BOARD OF DIRECTORS (CONTINUED)

A3 Board Committees (continued)

Audit Committee ("AC") (continued)

The AC is responsible for:

- (a) appointing the external auditors having regarded their independence, objectivity, performance, nature and scope of audit, as well as approving the terms of audit engagement and any provision of non-audit services by them where required;
- (b) reviewing the audit plans, findings and recommendations by the external auditors and statutory financial statements of the Company, including the discussion of the results and findings arising from the external audits and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
- (c) considering any related-party transactions that may arise within the Company or Tokio Marine group of companies;
- (d) reviewing the adequacy of the scope, functions and resources of internal audit function to perform audits including technology audits, given the size and complexity of the Company's operations; and
- (e) reviewing the internal audit programme and findings of the internal audit process and where necessary, ensuring that appropriate actions are taken on the recommendations of internal audit function.

The detailed terms of reference of the AC is set out in the Board Charter, which is available at the website, [www.tokiomarine.com](http://www.tokiomarine.com).

The AC held four (4) meetings during the financial year and the attendance of the AC members was as follows:

<u>Members of the AC</u>	<u>Number of meetings attended</u>
Datuk Leong Kam Weng	4/4
Tan Sri Dato' Dr Yahya Bin Awang	4/4
Chuah Sue Yin	4/4
U Chen Hock	Not Applicable *

\* Mr. U Chen Hock was appointed as a member of AC on 1 April 2020.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### A. BOARD OF DIRECTORS (CONTINUED)

##### A3 Board Committees (continued)

##### Risk Management and Compliance Committee ("RMCC")

The composition of the RMCC as at the date of this report are as follows:

Chuah Sue Yin	Chairperson, Independent Director
Tan Sri Dato' Dr Yahya Bin Awang	Non-Independent Non-Executive Director
Datuk Leong Kam Weng	Independent Director
U Chen Hock	Independent Director (appointed on 1 April 2020)

The RMCC is responsible for:

- (a) reviewing and recommending risk management strategies, policies, risk appetite and risk tolerance levels including the technology risk appetite for the Board's approval;
- (b) reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as to the extent to which these are operating effectively;
- (c) reviewing and overseeing the adequacy of the 3-year IT and cybersecurity strategic plans. These plans shall be periodically reviewed, at least once every three (3) years;
- (d) reviewing and recommending to the Board the technology-related frameworks including technology risk management framework (TRMF) and cyber resilience framework (CRF), and ensure the risk assessments undertaken in relation to material technology projects are robust and comprehensive;
- (e) reviewing reports from management on risk exposure, risk portfolio composition and risk management activities and ensure that these are within the risk appetite set by the Board;
- (f) reviewing and evaluating the adequacy and effectiveness of the overall management of compliance risk on yearly basis;
- (g) reviewing the management of any compliance and risk management incidents reported to and managed by the Management as well as to provide oversight on compliance reporting requirements; and
- (h) ensuring that adequate infrastructure, resources and systems are in place for effective Compliance and Risk Management. This includes ensuring that the staff responsible for managing Compliance and Risk Management are duly empowered to perform their responsibilities independently.

The detailed terms of reference of the RMCC is set out in the Board Charter, which is available at the website, [www.tokiomarine.com](http://www.tokiomarine.com).

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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)**

**A. BOARD OF DIRECTORS (CONTINUED)**

**A3 Board Committees (continued)**

Risk Management and Compliance Committee ("RMCC") (continued)

The RMCC held four (4) meetings during the financial year and the attendance of the RMCC members was as follows:

<u>Members of the RMCC</u>	<u>Number of meetings attended</u>
Chuah Sue Yin	4/4
Tan Sri Dato' Dr Yahya Bin Awang	4/4
Datuk Leong Kam Weng	4/4
U Chen Hock	Not Applicable *

\* Mr. U Chen Hock was appointed as a member of RMCC on 1 April 2020.

The RMCC is supported by the Company's senior management, the Compliance Department and the Risk Management Department.

**B. INTERNAL CONTROL FRAMEWORK**

**B1 Responsibility**

The Board is responsible for the adequacy and effectiveness of the Company's risk management and internal control framework, including policies and procedures for compliance with applicable laws, regulations, rules, directives and guidelines. The framework is established to manage rather than eliminate risks and is designed to provide reasonable assurance against any occurrence of loss or non-compliances.

At the Board level, the responsibilities for the oversight of the risk management and internal control framework have been delegated to the Board RMCC and Board AC. The responsibilities are clearly defined in the respective committees' Terms of Reference.

**B2 Authority & Responsibility**

The Management Committee of the Company, led by the Chief Executive Officer, is responsible for implementation of the risk management and internal control framework. The Company has clearly defined lines of authority to supervise and monitor the business operations of the Company. Limits of authority have been established and approved by the Board. Various sub-committees have been formed to manage specific areas such as Asset & Liability Management, Claims, Underwriting, Information Technology ("IT") and Business Continuity. Roles and responsibilities for each committee are clearly defined in the respective committees' Terms of Reference.

**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)**

**B. INTERNAL CONTROL FRAMEWORK (CONTINUED)**

**B3 Planning, Monitoring & Reporting**

The Company undergoes a strategic planning and budgeting process to establish the annual business plan and performance targets which is recommended to the Board for approval. The Management Committee is responsible for implementing strategies to achieve the targets as well as adherence to established policies and procedures. Financial and operational reports are reviewed by the Management Committee on a monthly basis to allow timely response and actions to mitigate any potential risks. Reports are tabled and presented to the Board at least quarterly highlighting the performance of the Company as well as any updates on risk management, compliance and audit matters.

**B4 Policies & Procedures**

Policies and procedures have been established to ensure adequacy of internal controls as well as compliance with relevant laws and regulations. These policies and procedures are reviewed periodically to ensure the documents continue to be updated and aligned with business strategies and processes. The effectiveness in implementation of the policies and procedures is regularly reviewed by the governance functions of the Company. Key policies that have been established for the purpose of governance include the Risk Management Framework and Compliance Policy.

The key policies and procedures for:

(a) Risk Management function

- (i) Risk Management Framework ("RMF");
- (ii) Risk Appetite Framework ("RAF");
- (iii) Internet Insurance Risk Management Framework ("IIRMF");
- (iv) Operational Risk Management Framework ("ORMF");
- (v) Business Continuity Management related policies and procedures ("BCM Documents");  
and
- (vi) Technology Risk Management Framework ("TRMF").

These frameworks/policies are reviewed annually or from time to time to ensure continued relevance and to reflect latest regulatory and group requirements.

During the financial year, the following key changes were made:

- TRMF is developed to comply with BNM policy document on Risk Management in Technology (RMiT) effective from 1 January 2020.
- For RAF, revision was made to include technology risk appetite in Risk Appetite Statement and technology risk indicators that will be covered in the new TRMF.
- For RMF, revision was made to include BNM requirements on RMiT and best practice recommended by TMHD's Guidance for Risk Management.

The revised frameworks/policies were tabled to the Risk Management and Compliance Committee for endorsement before the Board's approval.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)**

**B. INTERNAL CONTROL FRAMEWORK (CONTINUED)**

**B4 Policies & Procedures (continued)**

The key policies and procedures for: (continued)

(b) Compliance function

- (i) Compliance Policy;
- (ii) Anti-Money Laundering Counter Financing of Terrorism Procedural Manual;
- (iii) Anti-Bribery and Corruption Policy;
- (iv) Personal Data Protection Policy;
- (v) Fit & Proper Policy;
- (vi) Compliance and Risk Management Incidents Reporting policy; and
- (vii) Whistleblowing Policy

These frameworks/policies are reviewed annually or from time to time to ensure continued relevance and to reflect latest regulatory and group requirements. These will be tabled to the Risk Management and Compliance Committee for endorsement before the Board's approval.

**B5 Three Lines of Defense**

In accordance with the Company's RMF, the Company uses the three lines of defense model to ensure the effectiveness of the risk management and internal control framework. The three lines of defense model provides clarity on roles and responsibilities as well as accountability in management of risk.

Line of Defense	Financial Segregation	Responsibilities
First Line	Risk taking units: Senior Management Business Units	<ul style="list-style-type: none"><li>• Day-to-day management of risks inherent in their business decisions and activities; and</li><li>• Putting in place tools and techniques, including monitoring and reporting, for managing risks in their activities.</li></ul>
Second Line	Independent risk oversight and control units that oversee and review the first line's activities: <ul style="list-style-type: none"><li>• Risk Management</li><li>• Compliance</li></ul>	Risk Management: <ul style="list-style-type: none"><li>• Responsible for developing the risk management framework, setting policies and methodologies for risk management process.</li></ul> Compliance: <ul style="list-style-type: none"><li>• Responsible for developing and implementing the compliance framework, policies and methodologies for managing compliance risk.</li></ul>
Third Line	Internal Audit	Responsible for providing the Board an independent and objective assurance on the adequacy and effectiveness of governance, risk management and internal control process within the Company.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### B. INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### B6 Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the company's operations. It helps a company accomplish its objectives by continuous reviewing and assessment of the effectiveness and adequacy of governance, risk management and internal control processes within the Company.

#### C. REMUNERATION POLICY

The Remuneration Policy forms a key component of the governance and incentive structure. This covers all the employees in the Company at the headquarter and branches.

The objectives of the Policy are to:

- (a) serve as a guide for the performance assessment and compensation matters of the employee through which the Board ensures the remuneration is aligned with the culture, objectives and strategy of the Company; and
- (b) attract, develop and retain high performing and motivated employees.

The overall Remuneration Policy for the Company is set to:

- (a) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
- (b) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers; and
- (c) take into account any input from the control functions and the Board RMCC to ensure that risk exposures and risk outcomes are adequately considered.

At the start of the year, the Board reviews, considers and approves the Corporate Key Performance Indicators ("KPI") and performance bonus pool for the year. The KPI is set by taking into account the business and risk strategies, long-term interest, time horizon of risks and corporate values of the Company and the performance bonus pool will depend on the actual achievement rate at the end of the financial year. The KPI set is measured by financial metrics linked to business growth, distribution strategies and value creation and non-financial metrics linked to customers' (including employees, customers and intermediaries) engagement. In the financial year ended 31 December 2019, new metrics introduced included those linked to capital management, expense management and corporate governance.

Subsequent to the Board's approval, the Chief Executive Officer will cascade the KPI to the direct reports; who then cascade to their respective departments. The KPI shall be set in accordance to the level of accountability, roles and responsibilities of the individual employee.

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

#### C. REMUNERATION POLICY (CONTINUED)

After the financial year ended, the Management will present the performance of the Company against the Corporate KPIs set and the resulting performance bonus pool. Performance bonus is not guaranteed and shall be subject to the performance of the Company, the department and the individual employees. If the Company's performance metrics are weak compared to the Corporate KPIs set, the adjustments will be made accordingly to the performance bonus pool. Staff is appraised against the KPIs set for them. Performance bonus is linked to the contribution of the department and the individual staff to the overall performance of the Company.

To safeguard the independence and authority of individuals engaged in control functions, the remuneration of such individuals is based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines. KPIs of the Appointed Actuary, the Head of Internal Audit, the Head of Risk Management and the Head of Compliance are based on the functions' objectives.

The Company remunerates the staff in the form of cash where the components comprised of fixed salary and variable performance bonus. The variable performance bonus is not guaranteed and is subject to the performance of the Company, the department and the individual employee.

The Company continues to review its Remuneration Policy on an ongoing basis taking into consideration current market practices as well as the guidelines issued by the regulators and have introduced an additional remuneration component as follows:

##### Long Term Incentive ("LTI") Plan

The Long Term Incentive Plan ("LTI") is a multi-year remuneration framework developed as contingent bonus upon meeting the performance metrics set and such reward is paid 3 years after the assessment period. By aligning key executives' interest with the long term value creation within the risk appetite and the deferment of LTI payment, the LTI Plan would fulfil the regulatory requirement on the adoption of a multi-year remuneration framework for senior management and other material risk takers. In addition, LTI Plan is an effective way to reward, motivate and retain talents who have contributed to the long term value creation of the Company.

As of 31 December 2019, the Company has seventeen (17) (2018: 17) senior management members comprising of Chief Executive Officer and his direct reports. Other material risk takers identified by the Company comprises of the Head of Fixed Income and Head of Equity. The quantitative remuneration disclosure for the senior management members for the financial year ended 31 December 2019 is shown in the table below. All the senior management members received variable remuneration for the financial year; none of the members receive any guaranteed bonus, severance payments or sign-on award during the financial year.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

C. REMUNERATION POLICY (CONTINUED)

<b>Total value of remuneration awards for the financial year 2019 (RM)</b>		
	<b>Unrestricted</b>	<b>Deferred</b>
<b>Fixed remuneration</b>		
Cash-based	9,783,705	-
Shares and share-linked instruments	-	-
Other	-	-
<b>Variable remuneration</b>		
Cash-based	5,873,745	-
Shares and share-linked instruments	-	-
Other	-	-

<b>Total value of remuneration awards for the financial year 2018 (RM)</b>		
	<b>Unrestricted</b>	<b>Deferred</b>
<b>Fixed remuneration</b>		
Cash-based	9,137,576	-
Shares and share-linked instruments	-	-
Other	-	-
<b>Variable remuneration</b>		
Cash-based	5,345,528	-
Shares and share-linked instruments	-	-
Other	-	-

The quantitative remuneration disclosure for the Chief Executive Officer is disclosed in Note 21(a) to the financial statements.

FINANCIAL REPORTING

The Board has the overall responsibilities to ensure that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Company meets all prescriptive requirements under this section relating to proper records, annual reports, public disclosure and statutory reporting.



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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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## DIRECTORS' REPORT (CONTINUED)

### SUBSIDIARIES

The Company does not have any subsidiaries.

### DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year.

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 21 to 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

### DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed in Notes 21 and 27(c) to the financial statements.

### INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM10,000,000 and RM18,000 respectively.

### IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The Directors regard Tokio Marine Life Insurance Singapore Ltd., a company incorporated in Singapore, as the Company's immediate holding company and Tokio Marine Holdings, Inc., a company incorporated in Japan, as the ultimate holding company.

### SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 36 to the financial statements.

### AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 21 to the financial statements. There is no indemnity given or insurance effected for any auditor of the Company.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
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DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 6 May 2020. Signed on behalf of the Board of Directors:

DATUK LEONG KAM WENG  
DIRECTOR

CHUAH SUE YIN  
DIRECTOR

Registration No.

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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Datuk Leong Kam Weng and Chuah Sue Yin, two of the Directors of Tokio Marine Life Insurance Malaysia Bhd., state that, in the opinion of the Directors, the financial statements set out on pages 30 to 122 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and financial performance and the cash flow of the Company for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 6 May 2020.

DATUK LEONG KAM WENG  
DIRECTOR

CHUAH SUE YIN  
DIRECTOR

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Toi See Jong, the officer primarily responsible for the financial management of Tokio Marine Life Insurance Malaysia Bhd., do solemnly and sincerely declare that the financial statements set out on pages 30 to 122 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

TOI SEE JONG

Subscribed and solemnly declared by the abovenamed Toi See Jong at Kuala Lumpur in Malaysia on 6 May 2020.

Before me:

COMMISSIONER FOR OATH

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
(Incorporated in Malaysia)  
(Company No. 199801001430 (457556-X))**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Our opinion**

In our opinion, the financial statements of Tokio Marine Life Insurance Malaysia Bhd. (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**What we have audited**

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 122.

**Basis for opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and other ethical responsibilities**

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Information other than the financial statements and auditors’ report thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ Report, but does not include the financial statements of the Company and our auditors’ report thereon.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
(CONTINUED)  
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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Our opinion on the financial statements of the Company 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 of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company 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.

**Responsibilities of the Directors for the financial statements**

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
(CONTINUED)  
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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
(CONTINUED)  
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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**OTHER MATTERS**

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants**

**SOO HOO KHOON YEAN  
02682/10/2021 J  
Chartered Accountant**

**Kuala Lumpur  
6 May 2020**

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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	<u>Note</u>	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>ASSETS</b>			
Property, plant and equipment	3	175,480	174,798
Right-of-use assets		508	-
Investment properties	4	168,104	159,095
Intangible assets	5	11,855	39,522
Financial investments			
Available-for-sale ("AFS") financial assets	6a	5,759,386	5,352,099
Fair value through profit or loss ("FVTPL") financial assets	6b	1,096,138	860,571
Held-to-maturity ("HTM") financial assets	6c	963,724	985,000
Loans and receivables ("LAR")	6d	461,177	484,335
Insurance receivables	7	29,590	56,404
Other receivables	8	35,281	17,639
Cash and cash equivalents		354,463	512,104
<b>TOTAL ASSETS</b>		<u>9,055,706</u>	<u>8,641,567</u>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>			
Share capital	9	226,000	226,000
Retained earnings	10	652,479	668,902
Available-for-sale reserve		67,108	13,098
Asset revaluation reserve		3,208	3,029
<b>TOTAL EQUITY</b>		<u>948,795</u>	<u>911,029</u>
Insurance contract liabilities	11	7,258,035	6,925,261
Insurance payables	12	522,603	508,263
Lease liabilities		543	-
Other payables	13	64,248	62,906
Provision for agency long association benefits	14	31,378	29,480
Current tax liabilities		14,017	8,347
Deferred tax liabilities	15	216,087	196,281
<b>TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES</b>		<u>8,106,911</u>	<u>7,730,538</u>
<b>TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>		<u>9,055,706</u>	<u>8,641,567</u>

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



Registration No.

199801001430 (457556-X)

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<u>Note</u>	<u>2019</u> RM'000	<u>2018</u> RM'000
Gross earned premium revenue		1,321,334	1,311,098
Premiums ceded to reinsurers		(44,485)	(39,425)
Net earned revenue		<u>1,276,849</u>	<u>1,271,673</u>
Investment income	16	350,022	348,072
Net realised gains/(losses)	17	149,841	(2,207)
Net fair value gains/(losses)	18	69,630	(73,862)
Commission income	19	3,445	5,152
Other income		<u>572,938</u>	<u>277,155</u>
Gross benefits and claims paid		(1,149,889)	(1,000,472)
Claims ceded to reinsurers		31,188	38,021
Gross change to insurance contract liabilities		(330,608)	(120,587)
Net insurance benefits and claims		<u>(1,449,309)</u>	<u>(1,083,038)</u>
Commission and agency expenses		(146,873)	(133,023)
Management expenses	21	(181,032)	(178,101)
Other operating (expenses)/income— net	20	(1,250)	1,995
Other expenses		<u>(329,155)</u>	<u>(309,129)</u>
Profit before taxation		71,323	156,661
Taxation	22	(51,046)	(48,568)
Net profit for the financial year		<u><u>20,277</u></u>	<u><u>108,093</u></u>

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

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	<u>Note</u>	<u>2019</u> RM'000	<u>2018</u> RM'000
Other comprehensive income/(loss):			
<u>Items that will be reclassified subsequently to profit or loss</u>			
Fair value change on available-for-sale financial assets:			
Net gains/(losses) arising during the financial year		159,055	(136,550)
Realised gains transferred to profit or loss		(137,535)	(95,718)
Impairment losses transferred to profit or loss		11,966	65,556
Tax effects thereon		(16,093)	10,341
		<hr/>	<hr/>
Fair value gains/(losses), net of tax		17,393	(156,371)
Change in insurance contract liabilities arising from net fair value losses	11	36,617	155,687
		<hr/>	<hr/>
Net fair value change		54,010	(684)
		<hr/>	<hr/>
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Asset revaluation reserve:			
Gross asset revaluation surplus	3	2,957	6,979
Tax effects thereon		(282)	(1,315)
		<hr/>	<hr/>
Asset revaluation surplus, net of tax		2,675	5,664
Change in insurance contract liabilities arising from net asset revaluation surplus	11	(2,496)	(5,931)
		<hr/>	<hr/>
Net asset revaluation surplus/(deficit)		179	(267)
		<hr/>	<hr/>
Total other comprehensive income/(loss)		54,189	(951)
		<hr/>	<hr/>
Total comprehensive income for the financial year		74,466	107,142
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (sen)	23	8.97	47.83
		<hr/> <hr/>	<hr/> <hr/>

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

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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		Non-Distributable		Distributable	Total	
		Share capital	Available -for-sale reserve	Asset revaluation reserve		Retained earnings*
		RM'000	RM'000	RM'000	RM'000	
Issued and fully paid ordinary shares:						
At 1 January 2018		226,000	13,782	3,296	570,809	813,887
Total comprehensive (loss)/income for the financial year		-	(684)	(267)	108,093	107,142
Dividend paid	24	-	-	-	(10,000)	(10,000)
At 31 December 2018		<u>226,000</u>	<u>13,098</u>	<u>3,029</u>	<u>668,902</u>	<u>911,029</u>
Issued and fully paid ordinary shares:						
At 1 January 2019		226,000	13,098	3,029	668,902	911,029
Total comprehensive income for the financial year		-	54,010	179	20,277	74,466
Dividend paid	24	-	-	-	(36,700)	(36,700)
At 31 December 2019		<u>226,000</u>	<u>67,108</u>	<u>3,208</u>	<u>652,479</u>	<u>948,795</u>

\* Included in the retained earnings as at 31 December 2019 is unallocated surplus in the non-discretionary participation features ("non-DPF") fund (net of deferred tax) of RM635,257,000 (2018: RM604,901,000). These amounts are only distributable upon the actual recommended transfer from non-DPF fund to the Shareholders' Fund by the Appointed Actuary.

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

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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year	20,277	108,093
Adjustments:		
Investment income	(350,022)	(348,072)
Interest expense for lease liabilities	58	-
Realised gains of AFS financial assets	(161,799)	(63,257)
Fair value (gains)/losses of FVTPL financial assets	(60,718)	84,477
Fair value gains of investment properties	(8,934)	(10,640)
Loss on early redemption of HTM financial assets	22	25
Depreciation of property, plant and equipment	5,841	5,929
Depreciation of right-of-use assets	663	-
Write-offs of property, plant and equipment	40	98
Gain on disposal of property, plant and equipment	(8)	(92)
Amortisation of intangible assets	32,237	32,067
Impairment of AFS financial assets	11,966	65,556
Write-back of impairment of insurance receivables	(206)	(1,076)
(Write-back of impairment)/impairment loss of loan receivables	(20)	305
Impairment loss/(write-back of impairment) of other receivables	1,686	(1,482)
Write-offs/(recovery of write-offs) of insurance receivables	175	(3)
Provision for agency long association benefits	6,074	5,662
Taxation	51,046	48,568
Changes in working capital:		
Purchases of financial assets	(2,539,934)	(1,327,177)
Proceeds from maturity and disposal of financial assets	2,149,977	1,148,459
Decrease/(increase) in loans	23,178	(7,393)
Decrease/(increase) in insurance receivables	26,845	(24,076)
Decrease in other receivables	4,499	9,076
Increase in insurance contract liabilities	366,895	166,720
Increase in insurance payables	14,340	33,495
Decrease in other payables	(15,375)	(10,634)
	<u>(421,197)</u>	<u>(85,372)</u>
Dividend income received	63,917	64,703
Interest income received	287,993	280,014
Rental income received	3,399	1,003
Agency long association benefits paid	(4,176)	(4,711)
Income tax paid	(41,947)	(27,333)
	<u>(112,011)</u>	<u>228,304</u>
Net cash (outflows)/inflows from operating activities	<u>(112,011)</u>	<u>228,304</u>

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.  
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STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	<u>Note</u>	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,805)	(6,392)
Proceeds from disposal of property, plant and equipment		8	93
Purchase of intangible assets		(4,446)	(2,155)
Net cash outflows from investing activities		<u>(8,243)</u>	<u>(8,454)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	24	(36,700)	(10,000)
Payment to lease liabilities		(687)	-
Net cash outflows from financing activities		<u>(37,387)</u>	<u>(10,000)</u>
Net (decrease)/increase in cash and cash equivalents		(157,641)	209,850
Cash and cash equivalents at 1 January		512,104	302,254
Cash and cash equivalents at 31 December		<u>354,463</u>	<u>512,104</u>
Cash and cash equivalents comprise:			
Cash and bank balances		44,700	36,619
Fixed and call deposits with maturity of less than three months		309,763	475,485
		<u>354,463</u>	<u>512,104</u>

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

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**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of life insurance business, including investment-linked business. There were no significant change in the nature of this activity during the financial years relevant to these financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 23, Menara Tokio Marine Life, 189, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at Ground Floor, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

The Directors regard Tokio Marine Life Insurance Singapore Ltd., a company incorporated in Singapore, as the Company's immediate holding company and Tokio Marine Holdings, Inc., a company incorporated in Japan, as the ultimate holding company.

### 2 SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Insurance liabilities have been computed in accordance with the valuation methods specified in the RBC Framework issued by BNM. The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

The preparation of financial statements in conformity with MFRS requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2.3 to the financial statements.

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

**TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies**

**(a) Property, plant and equipment**

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value less accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to profit or loss.

Freehold land is not depreciated as it has an infinite life. Depreciation is provided so as to write off the cost of other property, plant and equipment on a straight line basis to allocate their cost to their residual values over the expected useful lives of the assets. The expected useful lives of the assets are summarised as follows:

Motor vehicles	5 years
Office equipment, furniture and fittings	10 years
Computer equipment	4 years
Renovation	10 years
Leasehold land	Lease period ranging from 51 to 913 years
Leasehold buildings	Lease period subject to a maximum of 50 years
Freehold buildings	50 years

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(d) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

**(b) Investment properties**

Investment properties, comprising principally land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open market value determined by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair values of investment properties are reviewed annually by an independent professional valuer. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Changes in fair values are recognised in profit or loss.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year of the retirement or disposal.

**(c) Intangible assets**

All intangible assets are stated at cost less accumulated amortisation and impairment losses.

**(i) Computer software**

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially completed and ready for its intended purpose. These costs are amortised over their expected useful life of 4 years on a straight-line basis, with the useful lives being reviewed annually.



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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(c) Intangible assets (continued)

(i) Computer software (continued)

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

The assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

(ii) Exclusive bancassurance agreement

The exclusive bancassurance agreement provides the Company with an exclusive right to the use of the bancassurance network of a bank. The fee for this right is amortised over its useful life of 5 years using the straight line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

**(d) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may be impaired. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. Recoverable amount is estimated for an individual asset, or, if it is not possible, for the cash-generating unit. Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to profit or loss immediately.

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

**(e) Financial investments**

The Company classifies its investments into financial assets at FVTPL, HTM financial assets, LAR and AFS financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(e) Financial investments (continued)

(i) Financial assets at FVTPL

Financial assets at FVTPL include held-for-trading (“HFT”) financial assets and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as HFT. For investments designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

(ii) HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at fair value. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(e) Financial investments (continued)

(iv) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to profit or loss.

(f) Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

**(f) Fair value of financial instruments (continued)**

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If investment in equity instruments do not have a quoted market price in an active market and whose fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition of financial assets are also included in the cost of the financial assets except for FVTPL financial assets, where the transaction cost are expensed in profit or loss as they are incurred.

The carrying values of financial assets and financial liabilities with maturity period of less than one year are assumed to approximate their fair values.

**(g) Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

As at 31 December 2019, the Company does not offset its financial assets with financial liabilities.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(h) Impairment of financial instruments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a security is impaired. A security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the security that can be reliably estimated.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each date of the statement of the financial position.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at fair value

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(i) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(j) Insurance contracts

The Company issues contracts that transfer mainly insurance risk.

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

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

Investment contracts are those contracts that do not transfer significant insurance risk. Currently, the Company does not issue any investment contracts.

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

Insurance contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- (i) likely to be a significant portion of the total contractual benefits;
- (ii) whose amount or timing is contractually at the discretion of the issuer; and
- (iii) that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

**(j) Insurance contracts (continued)**

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the surplus must be attributed to the contract holders as a group (which can include future contract holders), while the amount and timing of the distribution to individual contract holders is at the discretion of the Company, approved by the Board of Directors based on the advice of the Appointed Actuary.

The recognition and measurement of the insurance contracts are set out in Note 2.2(l) and Note 2.2(n).

**(k) Reinsurance**

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.2(j) to the financial statements are classified as ceded reinsurance contracts.

Premium ceded and claims reimbursed are recognised in the same accounting period as the original policies to which the reinsurance relates.

The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance assets. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. An allowance for impairment loss is established using the same method used for all financial assets carried at amortised cost. These processes are described in Note 2.2(h) to the financial statements.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.



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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(l) Life insurance contracts

Premiums

Premium income is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income of the investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

Reinsurance premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date which the policy is effective.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies are charged to the income statements in the financial year in which they are incurred.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- (iii) benefits payable under investment-linked contract include net cancellation of units and are recognised as surrender; and
- (iv) bonus on DPF policy upon its declaration.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(l) Life insurance contracts (continued)

Insurance fund

The surplus transferable from the life fund to the shareholders' fund is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders. In the event the actuarial valuation indicates that a transfer is required from the shareholders' fund, the transfer from the shareholders' fund to the life insurance fund is made in the financial year of the actuarial valuation.

(m) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

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

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

(n) Life insurance contract liabilities

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

Life insurance contract liabilities comprise (i) provision for outstanding claims, (ii) actuarial liabilities, (iii) unallocated surplus, (iv) AFS fair value adjustment, (v) asset revaluation surplus adjustment and (vi) net asset value attributable to unitholders.

(i) Provision for outstanding claims

Provision for outstanding claims represent the amounts payable under a life insurance policy in respect of claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(n) Life insurance contract liabilities (continued)

(ii) Actuarial liabilities

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related circulars issued by BNM relevant to the guidelines.

The reinsurance recoverable of the liabilities is insignificant and hence is not accounted for in the measurement of the liabilities.

The liability in respect of policies of a participating insurance fund shall be taken as the higher of the guaranteed benefits liabilities or the total benefits liabilities at the fund level (derived in the method as stated in the above paragraph) as stipulated under paragraph 3.2, Appendix VII of the RBC Framework.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(n) Life insurance contract liabilities (continued)

(ii) Actuarial liabilities (continued)

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised actuarial liabilities are adequate, by using an existing liability adequacy test based on the RBC Framework.

(iii) Unallocated surplus

Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Unallocated surpluses of the DPF where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year is held within insurance contract liabilities.

(iv) AFS fair value adjustment

Where unrealised fair value gains and losses arise on AFS financial assets of the DPF fund, the adjustment to the life insurance contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

(v) Asset revaluation surplus adjustment

Where asset revaluation surplus arises on the self-occupied properties of the DPF fund, the adjustment to the life insurance contract liabilities equal to the effect that the realisation of those surpluses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

The surpluses arising from the revaluation of the DPF's assets may be distributed by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the addition to revaluation surplus of 10% of the market value of the revalued property, whichever is lower.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(n) Life insurance contract liabilities (continued)

(vi) Net asset value attributable to unitholders

The unit liability of investment-link contract is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

(o) Other revenue recognition

Interest income for all interest-bearing financial instruments including financial instruments measured at FVTPL, are recognised within investment income in profit or loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Rental income from investment properties is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established.

Gains or losses arising on disposal of investments are credited or charged to profit or loss.

Commission income comprises of reinsurance commission income are credited to profit or loss over the period in which they are earned.

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(p) Leases

**Accounting policies on lessee accounting applied from 1 January 2019**

From 1 January 2019, leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(p) Leases (continued)

**Accounting policies on lessee accounting applied from 1 January 2019 (continued)**

(iii) Leased liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss.

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(p) Leases (continued)

**Accounting policies on lessee accounting applied until 31 December 2018**

**Operating leases**

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

**Accounting policies on lessor accounting applied from 1 January 2019**

As a lessor, the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfer substantially all the risks and rewards incidental to ownership of the underlying asset to lessee. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the assets.

a) Operating leases

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset to lessee.

The Company recognizes lease payment received under operating lease as lease income on a straight-line basis over the lease term.

b) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to the lease and to non-lease component based on the standalone selling prices in accordance with the principles in MFRS 15 "Revenue from Contracts with Customers".

**Accounting policies on lessor accounting applied until 31 December 2018**

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



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

**(q) Income taxes**

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax is recognised in profit or loss except when it arises from a transaction which is recognised in other comprehensive income, in which case, the deferred tax is also charged or credited to other comprehensive income.

The Company presumed investment property measured at fair value will be recovered entirely through sale. Accordingly, deferred tax assets or liabilities arising on such investment property are measured at the tax rate of 8% when the Company sells the property.

**(r) Foreign currencies**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in RM, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

Defined contribution plan

The Company's contributions to the Employees' Provident Fund ("EPF"), the national defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(t) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(u) Dividends

Dividends are recognised as liabilities when the obligation to pay is established in which the dividends are declared and approved by the Company's shareholders and the regulator. No provision is made for a proposed dividend.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of Significant Accounting Policies (continued)**

(v) Provisions

Provisions for agency long association benefits is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(w) Insurance payables and other payables

Insurance payables and other payables are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(x) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, and fixed and call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It excludes deposits which are held for investment purpose.

(y) Statement of cash flows

The Company classifies the cash flows for the purchase and disposal of financial investments as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under operating activities.

(z) Share capital

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issuance of new shares are recognised as equity, net of tax.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgements in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

(b) Key sources of estimation, uncertainty and assumptions

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

Actuarial liabilities of life policyholders' fund

The principles on which the valuation of the actuarial liabilities of life insurance contracts was determined by the Appointed Actuary having regard to the statutory requirements determined by BNM.

The actuarial valuation was carried out using a prospective cash flow method, known as gross premium valuation method. The policy liabilities are determined first by projecting future cash flows using realistic assumptions and then discounting these cash flow streams at appropriate interest rates. For participating policies, the policy liability includes provision for future payments arising for both guaranteed and non-guaranteed benefits. Additional provision may be required in the valuation assumptions to allow for any adverse deviation from the best estimate experience and to reflect the inherent uncertainty of the best estimate of the actuarial liabilities held.

The Company conducted a sensitivity analysis on the gross actuarial liabilities as at 31 December 2019, based on the change in one specific assumption while holding all other assumptions constant as disclosed in Note 30 to the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company

(a) The standards applicable for the first time for the financial year beginning on 1 January 2019:

(i) MFRS 16 'Leases'

See Note 35 for the changes in accounting policies upon adoption of MFRS 16.

(ii) IC Interpretation 23 'Uncertainty over Income Tax Treatments'

IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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

IC Interpretation 23 will be applied retrospectively.

(b) The Company will apply the new standards, amendments to published standards and interpretations that are issued but not yet effective in the following financial years:

#### Financial year beginning on/after 1 January 2020

(i) The Conceptual Framework for Financial Reporting (Revised 2018)

(ii) Amendments to MFRS 101 'Presentation of Financial Statements – Definition of Material'

(iii) Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material'

(iv) Amendments to MFRS 3 'Business Combinations – Definition of a Business'

(v) Amendments to MFRS 9, MFRS 139, MFRS 7 – Interest Rate Benchmark Reform

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company (continued)

- (b) The Company will apply the new standards, amendments to published standards and interpretations that are issued but not yet effective in the following financial years: (continued)

##### Financial year beginning on/after 1 January 2021

###### (i) MFRS 17 'Insurance Contracts'

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts.

Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17.

Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

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### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company (continued)

- (b) The Company will apply the new standards, amendments to published standards and interpretations that are issued but not yet effective in the following financial years: (continued)

##### Financial year beginning on/after 1 January 2021 (continued)

- (i) MFRS 17 'Insurance Contracts' (continued)

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The International Accounting Standards Board has tentatively proposed to amend the effective date of IFRS 17 'Insurance Contracts' to 1 January 2022.

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

The Company has yet to assess the full impact of MFRS 9 and MFRS 17 onto the Company's accounting policies and will complete the process prior to the reporting requirement deadline.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment, furniture and fittings	Computer equipment	Renovation	Work-in- progress	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Total
<u>Cost/Valuation</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	995	7,278	10,406	20,824	-	79,348	5,850	72,064	3,483	200,248
Additions	-	238	1,511	2,056	-	-	-	-	-	3,805
Disposals	(77)	(3)	-	-	-	-	-	-	-	(80)
Write-offs	-	(118)	(2,161)	-	-	-	-	-	-	(2,279)
Transferred to investment properties (Note 4)	-	-	-	-	-	(29)	-	(46)	-	(75)
Transferred from/(to) intangible assets (Note 5)	-	38	(162)	-	-	-	-	-	-	(124)
Revaluation surplus for the financial year	-	-	-	-	-	122	141	2,593	101	2,957
Elimination of accumulated depreciation arising from revaluation	-	-	-	-	-	-	(57)	(2,604)	(51)	(2,712)
At 31 December 2019	918	7,433	9,594	22,880	-	79,441	5,934	72,007	3,533	201,740
Cost	918	7,433	9,594	22,880	-	-	-	-	-	40,825
Valuation	-	-	-	-	-	79,441	5,934	72,007	3,533	160,915
At 31 December 2019	918	7,433	9,594	22,880	-	79,441	5,934	72,007	3,533	201,740



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3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Work-in- progress RM'000	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
<u>Accumulated depreciation</u>										
At 1 January 2019	637	3,686	7,287	13,840	-	-	-	-	-	25,450
Charge for the financial year (Note 21)	126	574	1,271	1,158	-	-	57	2,604	51	5,841
Disposals	(77)	(3)	-	-	-	-	-	-	-	(80)
Write-offs	-	(96)	(2,143)	-	-	-	-	-	-	(2,239)
Elimination of accumulated depreciation arising from revaluation	-	-	-	-	-	-	(57)	(2,604)	(51)	(2,712)
At 31 December 2019	686	4,161	6,415	14,998	-	-	-	-	-	26,260
<u>Net book value</u>										
At 31 December 2019	232	3,272	3,179	7,882	-	79,441	5,934	72,007	3,533	175,480

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Motor vehicles	Office equipment, furniture and fittings	Computer equipment	Renovation	Work-in- progress	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Total
<u>Cost/Valuation</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	1,438	6,084	8,615	16,845	2,017	75,331	5,998	71,931	3,024	191,283
Additions	-	1,313	1,815	1,859	1,405	-	-	-	-	6,392
Disposals	(443)	-	-	-	-	-	-	-	-	(443)
Write-offs	-	(551)	(608)	(295)	-	-	-	-	-	(1,454)
Transferred to investment properties (Note 4)	-	-	-	-	-	(18)	-	(29)	-	(47)
Transferred from intangible assets (Note 5)	-	-	9	-	-	-	-	-	-	9
Reclassification	-	432	575	2,415	(3,422)	-	-	-	-	-
Revaluation surplus/(deficit) for the financial year	-	-	-	-	-	4,035	(90)	2,525	509	6,979
Elimination of accumulated depreciation arising from revaluation	-	-	-	-	-	-	(58)	(2,363)	(50)	(2,471)
At 31 December 2018	995	7,278	10,406	20,824	-	79,348	5,850	72,064	3,483	200,248
Cost	995	7,278	10,406	20,824	-	-	-	-	-	39,503
Valuation	-	-	-	-	-	79,348	5,850	72,064	3,483	160,745
At 31 December 2018	995	7,278	10,406	20,824	-	79,348	5,850	72,064	3,483	200,248

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles	Office equipment, furniture and fittings	Computer equipment	Renovation	Work-in- progress	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accumulated depreciation</u>										
At 1 January 2018	930	3,677	6,125	13,058	-	-	-	-	-	23,790
Charge for the financial year (Note 21)	149	509	1,747	1,053	-	-	58	2,363	50	5,929
Disposals	(442)	-	-	-	-	-	-	-	-	(442)
Write-offs	-	(500)	(585)	(271)	-	-	-	-	-	(1,356)
Elimination of accumulated depreciation arising from revaluation	-	-	-	-	-	-	(58)	(2,363)	(50)	(2,471)
At 31 December 2018	637	3,686	7,287	13,840	-	-	-	-	-	25,450
<u>Net book value</u>										
At 31 December 2018	358	3,592	3,119	6,984	-	79,348	5,850	72,064	3,483	174,798

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**3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The net book value of revalued land and buildings, had these assets been carried at cost less accumulated depreciation is as follows:

	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Freehold buildings</u> RM'000	<u>Leasehold buildings</u> RM'000	<u>Total</u> RM'000
At 31 December 2019	<u>15,732</u>	<u>3,493</u>	<u>53,117</u>	<u>2,486</u>	<u>74,828</u>
At 31 December 2018	<u>15,732</u>	<u>3,529</u>	<u>54,817</u>	<u>2,507</u>	<u>76,585</u>

The fair value hierarchy of the self-occupied properties is as follows:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>31 December 2019</u>				
Recurring fair value measurements				
- Freehold land	-	-	79,441	79,441
- Leasehold land	-	-	5,934	5,934
- Buildings	-	-	75,540	75,540
	<u>-</u>	<u>-</u>	<u>160,915</u>	<u>160,915</u>
<u>31 December 2018</u>				
Recurring fair value measurements				
- Freehold land	-	-	79,348	79,348
- Leasehold land	-	-	5,850	5,850
- Buildings	-	-	75,547	75,547
	<u>-</u>	<u>-</u>	<u>160,745</u>	<u>160,745</u>

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**3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The Company engages external, independent and qualified valuer to determine the fair value of the Company's land and buildings annually. As at 31 December 2019, the fair values of the self-occupied properties have been determined by Raine & Horne International Zaki + Partners Sdn. Bhd.

The main level 3 inputs used by the Company are term yield, reversionary yield and average price per square feet derived and evaluated by Raine & Horne International Zaki + Partners Sdn. Bhd. based on comparable transactions and industry data.

The self-occupied properties of the Company were valued by an independent professional valuer based on the following parameters:

Description	Fair value (RM'000)	Valuation technique	Unobservable Inputs	Input	Sensitivity in term yield and reversionary yield +/- 25 basis point (RM'000)	Sensitivity in average price per square feet +/- 5% (RM'000)
<u>31 December 2019</u>						
Self-occupied properties	160,915	Investment method and comparison method	Term yield	6.00%	+402	-
			Reversionary yield	6.50%	-402	-
			Average price per square feet	RM250 to RM891	-	+8,046 -8,046
<u>31 December 2018</u>						
Self-occupied properties	160,745	Investment method and comparison method	Term yield	6.00%	+402	-
			Reversionary yield	6.50%	-402	-
			Average price per square feet	RM250 to RM891	-	+8,037 -8,037

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 INVESTMENT PROPERTIES

	RM'000
At 1 January 2019	159,095
Transferred from property, plant and equipment (Note 3)	75
Fair value changes for the financial year (Note 18)	8,934
	<u>168,104</u>
At 31 December 2019	<u><u>168,104</u></u>
At 1 January 2018	148,408
Transferred from property, plant and equipment (Note 3)	47
Fair value changes for the financial year (Note 18)	10,640
	<u>159,095</u>
At 31 December 2018	<u><u>159,095</u></u>

The fair value hierarchy of the investment properties is as follows:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>31 December 2019</u>				
Recurring fair value measurements				
- Freehold land	-	-	113,019	113,019
- Leasehold land	-	-	6,056	6,056
- Buildings	-	-	49,029	49,029
	<u>-</u>	<u>-</u>	<u>168,104</u>	<u>168,104</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>168,104</u></u>	<u><u>168,104</u></u>
<u>31 December 2018</u>				
Recurring fair value measurements				
- Freehold land	-	-	104,032	104,032
- Leasehold land	-	-	5,970	5,970
- Buildings	-	-	49,093	49,093
	<u>-</u>	<u>-</u>	<u>159,095</u>	<u>159,095</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>159,095</u></u>	<u><u>159,095</u></u>

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**4 INVESTMENT PROPERTIES (CONTINUED)**

The Company engages external, independent and qualified valuers to determine the fair value of the Company's land and buildings annually. As at 31 December 2019, the fair values of the investment properties have been determined by Raine & Horne International Zaki + Partners Sdn. Bhd.

The main level 3 inputs used by the Company are average price per square feet derived and evaluated by Raine & Horne International Zaki + Partners Sdn. Bhd. based on comparable transactions and industry data.

The investment properties of the Company were valued by an independent professional valuer based on the following parameters:

Description	Fair value (RM'000)	Valuation technique	Unobservable Inputs	Input	Sensitivity in average price per square feet +/- 5% (RM'000)
<u>31 December 2019</u>					
Investment properties	168,104	Comparison method	Average price per square feet	RM14 to RM1,085	+8,405 -8,405
<u>31 December 2018</u>					
Investment properties	159,095	Comparison method	Average price per square feet	RM14 to RM1,022	+7,955 -7,955

The rental income and direct operating expenses arising from investment properties that have been recognised in profit or loss during the financial year are as follows:

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Rental income	9,378	9,529
Direct operating expenses	(6,871)	(7,410)
	<u>2,507</u>	<u>2,119</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

5 INTANGIBLE ASSETS

	<u>Bancassurance fee</u> RM'000	<u>Computer software</u> RM'000	<u>Total</u> RM'000
<u>Net book value</u>			
<u>2019</u>			
At 1 January 2019	25,250	14,272	39,522
Additions	-	4,446	4,446
Transferred from property, plant and equipment (Note 3)	-	124	124
Amortisation charged to profit or loss (Note 21)	(25,250)	(6,987)	(32,237)
At 31 December 2019	<u>-</u>	<u>11,855</u>	<u>11,855</u>
Cost	186,647	40,802	227,449
Accumulated amortisation	(186,647)	(28,947)	(215,594)
At 31 December 2019	<u>-</u>	<u>11,855</u>	<u>11,855</u>
<u>2018</u>			
At 1 January 2018	50,499	18,944	69,443
Additions	-	2,155	2,155
Transferred to property, plant and equipment (Note 3)	-	(9)	(9)
Amortisation charged to profit or loss (Note 21)	(25,249)	(6,818)	(32,067)
At 31 December 2018	<u>25,250</u>	<u>14,272</u>	<u>39,522</u>
Cost	186,647	38,464	225,111
Accumulated amortisation	(161,397)	(24,192)	(185,589)
At 31 December 2018	<u>25,250</u>	<u>14,272</u>	<u>39,522</u>

Included in the net book value of computer software, there are software under development phase amounting to RM4,126,000 as at 31 December 2019 (2018: RM2,757,000).



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**6 FINANCIAL INVESTMENTS**

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Malaysian government securities	500,431	534,699
Malaysian government guaranteed bonds	1,511,327	1,405,288
Government investment issues	418,532	349,967
Corporate debt securities	2,962,494	2,882,303
Equity securities	1,858,225	1,535,711
Collective investment schemes	568,239	489,702
Loans	461,177	484,335
	<u>8,280,425</u>	<u>7,682,005</u>

The Company's financial investments are summarised by the following categories:

AFS financial assets	5,759,386	5,352,099
FVTPL financial assets	1,096,138	860,571
HTM financial assets	963,724	985,000
Loans and receivables	461,177	484,335
	<u>8,280,425</u>	<u>7,682,005</u>

**6a AFS FINANCIAL ASSETS**

At fair value:

Malaysian government securities	235,775	272,477
Malaysian government guaranteed bonds	1,063,537	957,054
Government investment issues	241,324	197,154
Corporate debt securities	2,480,981	2,442,721
Equity securities	1,595,170	1,363,485
Collective investment schemes	142,599	119,208
	<u>5,759,386</u>	<u>5,352,099</u>
Current	407,014	320,275
Non-current	5,352,372	5,031,824
	<u>5,759,386</u>	<u>5,352,099</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

6 FINANCIAL INVESTMENTS (CONTINUED)

6a AFS FINANCIAL ASSETS (continued)

Movement in impairment allowance accounts:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Allowance for impairment loss:		
At 1 January	95,007	49,797
Transferred to realised gain upon disposal	(44,084)	(20,346)
Impairment loss during the financial year (Note 17)	11,966	65,556
At 31 December	<u>62,889</u>	<u>95,007</u>

The impairment losses arose on equity securities for which there have been significant or prolonged decline in fair value.

6b FVTPL FINANCIAL ASSETS

	<u>2019</u> RM'000	<u>2018</u> RM'000
At fair value:		
Malaysian government securities	32,624	30,323
Malaysian government guaranteed bonds	5,715	5,085
Government investment issues	60,207	35,726
Corporate debt securities	308,897	246,717
Equity securities	263,055	172,226
Collective investment schemes	425,640	370,494
	<u>1,096,138</u>	<u>860,571</u>
Current	28,535	30,289
Non-current	1,067,603	830,282
	<u>1,096,138</u>	<u>860,571</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

6 FINANCIAL INVESTMENTS (CONTINUED)

6c HTM FINANCIAL ASSETS

	2019 RM'000	2018 RM'000
At amortised cost:		
Malaysian government securities	232,032	231,899
Malaysian government guaranteed bonds	442,075	443,149
Government investment issues	117,001	117,087
Corporate debt securities	172,616	192,865
	<u>963,724</u>	<u>985,000</u>
Current	10,125	20,160
Non-current	953,599	964,840
	<u>963,724</u>	<u>985,000</u>
At fair value:		
Malaysian government securities	250,817	232,261
Malaysian government guaranteed bonds	491,989	452,309
Government investment issues	129,357	117,297
Corporate debt securities	185,707	198,284
	<u>1,057,870</u>	<u>1,000,151</u>

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6 FINANCIAL INVESTMENTS (CONTINUED)

6d LOANS AND RECEIVABLES

	<u>2019</u> RM'000	<u>2018</u> RM'000
At amortised cost:		
Secured:		
Policy loans*	460,216	483,310
Mortgage loans	961	1,010
Other loans	-	15
	<u>461,177</u>	<u>484,335</u>

\* Accrued interest income is included at fixed rate

The carrying values of loans and receivables approximate the fair values at the date of the statement of financial position.

	<u>2019</u> RM'000	<u>2018</u> RM'000
Current	-	-
Non-current	461,177	484,335
	<u>461,177</u>	<u>484,335</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**6 FINANCIAL INVESTMENTS (CONTINUED)**

**6e MOVEMENTS IN THE CARRYING VALUES OF FINANCIAL INSTRUMENTS**

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>Total</u> RM'000
At 1 January 2018	5,489,109	813,666	961,325	477,247	7,741,347
Purchases	1,063,412	217,860	49,668	-	1,330,940
Maturities	(763,415)	(10,000)	(25,000)	-	(798,415)
Disposals	(275,109)	(77,440)	(1,000)	-	(353,549)
Increase in loans	-	-	-	7,088	7,088
Movement of investment income accrued	1,554	962	25	-	2,541
Fair value losses recorded in:					
- Profit or loss	(2,299)	(84,477)	(25)	-	(86,801)
- Other comprehensive loss	(166,712)	-	-	-	(166,712)
Amortisation adjustment (Note 16)	5,559	-	7	-	5,566
At 31 December 2018	<u>5,352,099</u>	<u>860,571</u>	<u>985,000</u>	<u>484,335</u>	<u>7,682,005</u>
Purchases	1,729,714	817,195	-	-	2,546,909
Maturities	(765,329)	(152,588)	(20,000)	-	(937,917)
Disposals	(746,694)	(490,555)	(1,000)	-	(1,238,249)
Decrease in loans	-	-	-	(23,158)	(23,158)
Movement of investment income accrued	56	797	(186)	-	667
Fair value gains/(losses) recorded in:					
- Profit or loss	149,833	60,718	(22)	-	210,529
- Other comprehensive income	33,486	-	-	-	33,486
Amortisation adjustment (Note 16)	6,221	-	(68)	-	6,153
At 31 December 2019	<u><u>5,759,386</u></u>	<u><u>1,096,138</u></u>	<u><u>963,724</u></u>	<u><u>461,177</u></u>	<u><u>8,280,425</u></u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

6 FINANCIAL INVESTMENTS (CONTINUED)

6f FAIR VALUES OF FINANCIAL INSTRUMENTS

The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>HTM</u> RM'000	<u>Total</u> RM'000
<u>31 December 2019</u>				
Level 1	1,633,003	265,743	-	1,898,746
Level 2	4,112,196	830,395	1,057,870	6,000,461
Level 3	14,187	-	-	14,187
	<u>5,759,386</u>	<u>1,096,138</u>	<u>1,057,870</u>	<u>7,913,394</u>
<u>31 December 2018</u>				
Level 1	1,384,719	172,227	-	1,556,946
Level 2	3,954,686	688,344	1,000,151	5,643,181
Level 3	12,694	-	-	12,694
	<u>5,352,099</u>	<u>860,571</u>	<u>1,000,151</u>	<u>7,212,821</u>

Level 1 financial instruments are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 financial instruments are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions that are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3 financial instruments are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

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6 FINANCIAL INVESTMENTS (CONTINUED)

6f FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the changes in Level 3 instruments:

	<u>2019</u>	<u>AFS</u> <u>2018</u>
	RM'000	RM'000
At the beginning of the financial year	12,694	8,259
Fair value gains recognised in other comprehensive income	1,493	4,435
At the end of the financial year	<u>14,187</u>	<u>12,694</u>

7 INSURANCE RECEIVABLES

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Due premiums including agents/brokers balances	26,869	37,466
Due from reinsurers and cedants	2,914	19,337
Accumulated impairment loss (Note 31)	<u>29,783</u> <u>(193)</u>	<u>56,803</u> <u>(399)</u>
	<u>29,590</u>	<u>56,404</u>

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

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8 OTHER RECEIVABLES

	<u>2019</u> RM'000	<u>2018</u> RM'000
Amount due from related parties (Note 27)	30	66
Investment income receivable	3,171	5,534
Outstanding proceeds from sale of investments	26,189	3,505
Prepayment of expenses	662	466
Deposits	551	990
Others	5,497	7,505
	<u>36,100</u>	<u>18,066</u>
Accumulated impairment loss (Note 31)	(819)	(427)
	<u>35,281</u>	<u>17,639</u>

The carrying values of financial receivables disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

9 SHARE CAPITAL

	<u>Number of shares</u> '000	RM'000
Ordinary shares issued and fully paid up: At the beginning and end of the financial year	<u>226,000</u>	<u>226,000</u>

The holders of ordinary shares are entitled to receive dividends or declared from time-to-time and are entitled to one vote per share at general meetings of the Company.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**10 RETAINED EARNINGS**

Under the single-tier system which came into effect from the year of assessment 2008 onwards, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system will be tax exempt in the hands of shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

**11 INSURANCE CONTRACT LIABILITIES**

	<u>2019</u> Gross RM'000	<u>2018</u> Gross RM'000
Life insurance contract liabilities	7,258,035	6,925,261

The life insurance contract liabilities and the movements are further analysed as follows:

	<u>2019</u> Gross RM'000	<u>2018</u> Gross RM'000
Actuarial liabilities	5,709,211	5,678,189
Unallocated surplus	387,853	266,111
Provision for outstanding claims	185,007	148,720
Available-for-sale fair value adjustment	384,231	420,848
Asset revaluation surplus adjustment	44,648	42,152
Net asset value attributable to unitholders (Note 33)	547,085	369,241
	<u>7,258,035</u>	<u>6,925,261</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

11 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

	With DPE RM'000	Without DPE RM'000	Gross Total RM'000
At 1 January 2019	5,593,286	1,331,975	6,925,261
Premiums received	353,321	977,539	1,330,860
Liabilities paid for death, maturities, surrenders, benefits and claims	(761,751)	(393,974)	(1,155,725)
Benefits and claims experience variation	(114,811)	(70,859)	(185,670)
Policy movements	345,022	(152,532)	192,490
Adjustments due to changes in assumptions:			
Mortality/morbidity	(14,152)	10,920	(3,232)
Lapse and surrender rates	(15,395)	(4,949)	(20,344)
Expenses	8,318	27,389	35,707
Others	(1,961)	(447)	(2,408)
Movement in unallocated surplus	121,742	-	121,742
Available-for-sale fair value adjustment	(36,617)	-	(36,617)
Net asset value attributable to unitholders	-	17,188	17,188
Movement in provision for outstanding claims	20,817	15,470	36,287
Asset revaluation surplus adjustment	2,496	-	2,496
At 31 December 2019	<u>5,500,315</u>	<u>1,757,720</u>	<u>7,258,035</u>
At 1 January 2018	5,813,613	1,094,684	6,908,297
Premiums received	413,620	887,271	1,300,891
Liabilities paid for death, maturities, surrenders, benefits and claims	(666,383)	(335,159)	(1,001,542)
Benefits and claims experience variation	100,705	(148,753)	(48,048)
Policy movements	181,684	(167,668)	14,016
Adjustments due to changes in assumptions:			
Mortality/morbidity	-	8,708	8,708
Lapse and surrender rates	-	(5,694)	(5,694)
Expenses	763	1,734	2,497
Others	79,460	999	80,459
Movement in unallocated deficit	(199,857)	-	(199,857)
Available-for-sale fair value adjustment	(155,687)	-	(155,687)
Net asset value attributable to unitholders	-	(30,843)	(30,843)
Movement in provision for outstanding claims	19,437	26,696	46,133
Asset revaluation surplus adjustment	5,931	-	5,931
At 31 December 2018	<u>5,593,286</u>	<u>1,331,975</u>	<u>6,925,261</u>

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12 INSURANCE PAYABLES

	<u>2019</u> RM'000	<u>2018</u> RM'000
Due to agents, brokers and insureds	125,006	121,644
Due to reinsurers and cedants	6,367	12,157
Cash bonus and interest outstanding	391,230	374,462
	<u>522,603</u>	<u>508,263</u>

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

13 OTHER PAYABLES

	<u>2019</u> RM'000	<u>2018</u> RM'000
Amount due to related parties (Note 27)	780	1,148
Outstanding payable on purchases of investment securities	6,975	3,763
Tenant deposits	2,727	2,677
Staff related accrued expenses	22,974	19,008
Other accrued expenses	24,316	24,462
Other payables	6,476	11,848
	<u>64,248</u>	<u>62,906</u>

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

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14 PROVISION FOR AGENCY LONG ASSOCIATION BENEFITS

	<u>2019</u> RM'000	<u>2018</u> RM'000
At 1 January	29,480	28,529
Charged to profit or loss	6,074	5,662
Paid during the financial year	(4,176)	(4,711)
At 31 December	<u>31,378</u>	<u>29,480</u>
Payable within 12 months	9,252	8,128
Payable after 12 months	22,126	21,352
	<u>31,378</u>	<u>29,480</u>

15 DEFERRED TAX LIABILITIES

	<u>2019</u> RM'000	<u>2018</u> RM'000
At 1 January	196,281	185,985
Recognised in:		
Profit or loss (Note 22)	3,431	19,322
Other comprehensive income/(loss)	16,375	(9,026)
At 31 December	<u>216,087</u>	<u>196,281</u>

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 the deferred taxes relate to the same tax authority.

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15 DEFERRED TAX LIABILITIES (CONTINUED)

	<u>Unallocated surplus arising from non-DPF</u> RM'000	<u>Property, plant and equipment</u> RM'000	<u>Self- occupied properties</u> RM'000	<u>Investment properties</u> RM'000	<u>Financial investments</u> RM'000	<u>Total</u> RM'000
At 1 January 2018	103,748	1,490	3,436	11,232	66,079	185,985
Recognised in:						
Profit or loss (Note 22)	28,601	(278)	-	851	(9,852)	19,322
Other comprehensive income/(loss)	-	-	1,315	-	(10,341)	(9,026)
At 31 December 2018	132,349	1,212	4,751	12,083	45,886	196,281
Recognised in:						
Profit or loss (Note 22)	7,590	(747)	-	715	(4,127)	3,431
Other comprehensive income	-	-	282	-	16,093	16,375
At 31 December 2019	<u>139,939</u>	<u>465</u>	<u>5,033</u>	<u>12,798</u>	<u>57,852</u>	<u>216,087</u>

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16 INVESTMENT INCOME

	<u>2019</u> RM'000	<u>2018</u> RM'000
Net rental income from investment properties (Note 4)	2,507	2,119
FVTPL financial assets		
Interest	17,485	13,511
Dividend	8,512	7,974
AFS financial assets		
Interest	178,782	177,884
Dividend	54,528	57,362
Accretion of discounts – net (Note 6e)	6,221	5,559
HTM financial assets		
Interest	47,031	45,974
(Amortisation on premium)/accretion of discounts – net (Note 6e)	(68)	7
Interest from loans	33,060	33,108
Interest from fixed and call deposits	11,707	12,384
	<u>359,765</u>	<u>355,882</u>
Less: Investment expenses	(9,743)	(7,810)
	<u><u>350,022</u></u>	<u><u>348,072</u></u>

17 NET REALISED GAINS/(LOSSES)

	<u>2019</u> RM'000	<u>2018</u> RM'000
Realised gains:		
AFS financial assets		
- Equity securities	154,617	62,180
- Debt securities	7,182	1,077
	<u>161,799</u>	<u>63,257</u>
Impairment loss of AFS financial assets (Note 6a)	(11,966)	(65,556)
Net gain/(loss) on disposal of AFS financial assets	149,833	(2,299)
Gain on disposal of property, plant and equipment	8	92
	<u><u>149,841</u></u>	<u><u>(2,207)</u></u>

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18 NET FAIR VALUE GAINS /(LOSSES)

	<u>2019</u> RM'000	<u>2018</u> RM'000
Investment properties – fair value (Note 4)	8,934	10,640
FVTPL financial assets (Note 6e)	60,718	(84,477)
Early redemption of HTM financial assets by issuers (Note 6e)	(22)	(25)
	<u>69,630</u>	<u>(73,862)</u>

19 COMMISSION INCOME

	<u>2019</u> RM'000	<u>2018</u> RM'000
Reinsurance commission income	<u>3,445</u>	<u>5,152</u>

20 OTHER OPERATING (EXPENSES)/INCOME– NET

	<u>2019</u> RM'000	<u>2018</u> RM'000
Write-back of impairment/(impairment loss) of loan receivables	20	(305)
Write-back of impairment of insurance receivables	206	1,076
(Impairment loss)/reversal of impairment of other receivables	(1,294)	1,482
(Write-offs)/recovery of write-offs of insurance receivables	(175)	3
Write-offs of property, plant and equipment	(40)	(98)
Realised net foreign exchange loss	(5)	(11)
Others	38	(152)
	<u>(1,250)</u>	<u>1,995</u>

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21 MANAGEMENT EXPENSES

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff salaries and bonuses	63,772	56,227
Contribution to Employees' Provident Fund	9,494	8,422
Others	2,563	2,163
	<hr/>	<hr/>
Staff costs	75,829	66,812
	<hr/>	<hr/>
Non-Executive Directors		
- fees and other emoluments	441	440
	<hr/>	<hr/>
Directors' remuneration (Note 27(c))	441	440
	<hr/>	<hr/>
Depreciation of property, plant and equipment (Note 3)	5,841	5,929
Depreciation for right-of-use assets	663	-
Amortisation of intangible assets (Note 5)	32,237	32,067
Auditors' remuneration		
- statutory audit	483	480
- other audit services	728	10
- non-audit services	34	1,008
- (over)/under-provision of other audit services in prior financial years	(70)	70
Printing and stationery	1,282	1,544
Postage, telephone and telex	1,196	1,394
EDP expenses	5,703	3,786
Advertising and marketing expenses	1,092	1,333
Rental of properties	27	445
Management fees	4,156	1,982
Training related expenses	2,724	1,979
Distribution related expenses	27,561	31,410
Others	21,105	27,412
	<hr/>	<hr/>
	104,762	110,849
	<hr/>	<hr/>
Total	181,032	178,101
	<hr/>	<hr/>

Included in staff costs are the remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year which amounted to RM6.18 million (2018: RM5.00 million).

A Director also received remuneration from related entities as full time employee.



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21 MANAGEMENT EXPENSES (CONTINUED)

(a) The total remuneration of the Chief Executive Officer during the financial year is as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Salaries and other remuneration	2,577	2,580
Benefits-in-kind	34	34
Bonus	3,571	2,388
	<u>6,182</u>	<u>5,002</u>

(b) The details of remuneration of the Directors during the financial year are as follows:

	<u>Fees</u> RM'000	<u>Other</u> <u>emoluments</u> RM'000	<u>Total</u> RM'000
<u>31 December 2019</u>			
Non-executive Directors:			
- Tan Sri Dato' Dr Yahya Bin Awang	170	7	177
- Datuk Leong Kam Weng	130	7	137
- Chuah Sue Yin	120	7	127
	<u>420</u>	<u>21</u>	<u>441</u>
<u>31 December 2018</u>			
Non-executive Directors:			
- Tan Sri Dato' Dr Yahya Bin Awang	170	7	177
- Datuk Leong Kam Weng	130	6	136
- Chuah Sue Yin	120	7	127
	<u>420</u>	<u>20</u>	<u>440</u>

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22 TAXATION

	<u>2019</u> RM'000	<u>2018</u> RM'000
Current tax	47,615	29,246
Deferred tax (Note 15)	3,431	19,322
Taxation	<u>51,046</u>	<u>48,568</u>
 <u>Current tax</u>		
Current financial year	47,656	29,621
Over-provision in prior financial years	(41)	(375)
	<u>47,615</u>	<u>29,246</u>
 <u>Deferred tax</u>		
Origination and reversal of temporary differences (Note 15)	3,431	19,322
	<u>51,046</u>	<u>48,568</u>

The explanation of the relationship between taxation, and profit before taxation and change in insurance contract liabilities is as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Profit before taxation	<u>71,323</u>	<u>156,661</u>
Tax calculated at the Malaysian tax rate of 24% (2018: 24%)	17,117	37,599
Tax on investment income of policyholders' and unitholder funds	40,147	16,322
Tax rate differential in respect of unallocated surplus	(1,837)	(5,911)
Expenses not deductible for tax purposes	7,206	7,238
Section 110B tax credit	(1,301)	(1,515)
Income not subject to tax	(10,245)	(4,790)
Over-provision of tax in prior financial years	(41)	(375)
Tax expense for the financial year	<u>51,046</u>	<u>48,568</u>

The tax expense of the Life Fund is based on the method prescribed under the Income Tax Act, 1967 for the life business, where the income tax in the Life Fund is calculated at 8% on investment income. The income tax for the Shareholders' Fund is calculated based on the tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

In 2008, the Ministry of Finance has gazetted an order on the allowance of income tax set-off/credit for the tax charged on the surplus transferred from the Life Fund to the Shareholders' Fund with effect from year of assessment 2008 under Section 110B of the Income Tax Act, 1967.

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23 BASIC EARNING PER SHARE

The earnings per share has been calculated based on the net profit for the financial year of RM20,277,000 (2018: RM108,093,000) and the weighted average number of ordinary shares of the Company in issue during the financial year of 226,000,000 (2018: 226,000,000) shares.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

24 DIVIDENDS PAID

2019  
RM'000

In respect of the financial year ended 31 December 2018:

Final single tier dividend of 16.24 sen per ordinary shares, paid on 28 June 2019 36,700

2018  
RM'000

In respect of the financial year ended 31 December 2017:

Final single tier dividend of 4.42 sen per ordinary shares, paid on 10 July 2018 10,000

The Directors have not recommended any final dividend for the financial year ended 31 December 2019.

25 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Authorised and contracted but not provided for:		
- Computer hardware and software	2,664	2,447
- Renovation	169	1,025
- Bancassurance fee	84,000	84,000
	<u>86,833</u>	<u>87,472</u>
Approved and not contracted for:		
- Computer hardware and software	132	-
	<u>132</u>	<u>-</u>

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26 OPERATING LEASE COMMITMENTS

	<u>2019</u> RM'000	<u>2018</u> RM'000
Commitments under non-cancellable operating leases where the Company is a lessee:		
Payable within one year	80	654
Payable after one year	154	441
	<u>234</u>	<u>1,095</u>
Commitments under non-cancellable operating leases where the Company is a lessor:		
Receivable within one year	8,254	7,844
Receivable after one year	3,911	5,010
	<u>12,165</u>	<u>12,854</u>

27 RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Company, are as follows:

	<u>Country of incorporation</u>	<u>Relationship</u>
Tokio Marine Holdings, Inc. ("TMH")	Japan	Ultimate holding corporation
Tokio Marine & Nichido Life Insurance Co., Ltd. ("TMNL")	Japan	Subsidiary of ultimate holding corporation
Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMNF")	Japan	Subsidiary of ultimate holding corporation
Tokio Marine Life Insurance Singapore Ltd. ("TMLIS")	Singapore	Holding corporation
Tokio Marine Asia Pte. Ltd. ("TMAP")	Singapore	Subsidiary of ultimate holding corporation
Tokio Marine Asset Management International Pte. Ltd. ("TMAMI")	Singapore	Subsidiary of ultimate holding corporation
Tokio Marine Insurans (Malaysia) Berhad ("TMIM")	Malaysia	Subsidiary of ultimate holding corporation
Key management personnel	-	Key management personnel includes the Directors, Chief Executive Officer ("CEO") and senior management who report directly to the CEO

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its holding and ultimate holding corporations and other corporations deemed related parties by virtue of them being members of Tokio Marine Holdings, Inc. group of corporations.

The related party balances as at the date of the statement of financial position and significant related party transactions arising from normal business transactions during the financial year are set out below.

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27 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party balances

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Other receivables (Note 8)</u>		
Amount due from TMIM	30	66
	<u>          </u>	<u>          </u>
<u>Other payables (Note 13)</u>		
Amount due to TMAP	780	1,148
	<u>          </u>	<u>          </u>
<u>Due from reinsurers and cedants</u>		
Amount due from TMLIS	-	5
	<u>          </u>	<u>          </u>
<u>Due to reinsurers and cedants</u>		
Amount due to TMNL	681	729
	<u>          </u>	<u>          </u>

(b) Significant related party transactions

Income/(expense):

Transactions with TMAMI:

Cost of purchase of financial investments	(16,949)	(15,159)
Proceeds from disposal of financial investments	379,546	6,867
	<u>          </u>	<u>          </u>

Transactions with TMIM:

Management fee	49	49
Premiums paid/payable – Non-life insurance	(480)	(535)
Premiums received/receivable – Group insurance	331	287
Office rental	543	457
	<u>          </u>	<u>          </u>

Transactions with TMAP:

Management fee	(826)	(1,337)
	<u>          </u>	<u>          </u>

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27 RELATED PARTY DISCLOSURES (CONTINUED)

	<u>2019</u> RM'000	<u>2018</u> RM'000
(b) <u>Significant related party transactions</u> (continued)		
Income/(expense): (continued)		
Transactions with TMNL:		
Reinsurance arrangements	(889)	(736)
Transactions with TMLIS:		
Reinsurance arrangements	5	5
(c) <u>Key management compensation</u>		
Salaries and bonuses	13,215	12,172
Directors' remuneration (Note 21)	441	440
Contribution to Employees' Provident Fund	1,958	1,806
Other allowances	422	443
Benefits-in-kind	62	62
	<u>16,098</u>	<u>14,923</u>

28 RISK MANAGEMENT FRAMEWORK

The Company being a member of the Tokio Marine Holdings, Inc. Group of Companies takes into consideration the risk management philosophy and business strategy of Tokio Marine Group when managing the risk of the Company. The Company aims to assume risks that are consistent with maintaining its solvency and supporting its business objectives. The Company is selective in its approach to risk taking, striking a balance between risk accepted and the reward it can derive from accepting that risk.

The Board of Directors is responsible for the overall establishment, supervision and review of all risk management processes in the Company. The Board is assisted by the Company's Risk Management and Compliance Committee in the identification, evaluation and assessment of risks in the Company.

The compositions, functions and the responsibilities of Risk Management and Compliance Committee are explained in the Directors' Report.

The Company's risk management strategy includes maintaining sound, robust and effective risk management processes which are appropriate to the nature, scale and complexity of the Company's life insurance business to safeguard the interests of Company's shareholders as well as to protect the Company's policyholders' interests. The risks are classified into broad categories to streamline the risk management processes and are not meant to be restrictive as to the risk identification and evaluation process.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**28 RISK MANAGEMENT FRAMEWORK (CONTINUED)**

The following are the four broad categories of risks faced by the Company:

**A. Business Risks**

Business risks arise from the Company's business strategy, the environment in which the Company operates, and its ability to provide suitable products and services to customers. The Company provides insurance protection against risks such as mortality and morbidity risks.

Within the business risks, insurance risk has significant impact on business results. Insurance risks arise with respect to the adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of a number of insurance risk drivers. This includes adverse mortality, longevity, morbidity, persistency and expense experience. The definition and management of insurance risks are explained in Note 30 to the financial statements.

The Company has in place various risk management techniques to control and optimise the Company's exposure to business risks in pursuit of the Company's business objectives. New risks are assessed before they are considered for acceptance.

**B. Financial Risks**

Financial risks pertain to credit risks, liquidity risks and market risks. Credit risks is the risk of loss for the Company's business, or of adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event.

Liquidity risk refers to the possibility of the Company having insufficient cash resources to meet its financial obligations as they fall due under business as usual and stress scenarios.

The Company is exposed to market risk arising from its investment in debt securities, equities and properties. Changes in interest rates, foreign exchange rates, and equity prices will impact the financial position of the Company as any reaction to market changes will affect the present and future earnings of the Company for the life insurance operations and shareholders' equity.

The definition and management of financial risks are explained in Note 31 to the financial statements.

**C. Operational Risks**

Operational risks may arise from inadequate or failed internal processes and controls, from personnel and systems, or from external events such as sudden disasters crippling the operations of the Company. Such risks, although difficult to quantify, have the potential to impose significant costs and disruption to the financial soundness and ongoing business of the Company. Business continuity risks are the risks of not being able to resume normal business operations in view of disruption which include civil, economic, natural disasters, etc. Such risks may cause the Company to be unable to continue business as a going concern due to significant financial losses or the destruction of lives and infrastructures arising from natural catastrophes. The Company has put in place measures to control and minimise the Company's exposure to operational risks.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**28 RISK MANAGEMENT FRAMEWORK (CONTINUED)**

The following are the four broad categories of risks faced by the Company: (continued)

**D. Technology Risks**

Technology risks emanating from the use of IT and the Internet. These risks arise from failures or breaches of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions in, our services or operations, or reputational harm. The Company is committed to minimize the exposure and impact of technology risk by putting in measures and controls to ensure confidentiality, availability of information and information processing facilities including critical systems and infrastructure to be protected against cyberattacks, fraudulent activities, information loss and other security risks and threats arising internally and externally.

**29 CAPITAL MANAGEMENT**

The Company's capital management objective is to maintain a strong capital position with optimum buffer to meet obligations towards policyholders and to comply with the required capital requirements.

**A. Investment Management**

The investment portfolio of the Company which forms the largest asset pool is managed by an investment team through setting of investment policy and strategic asset allocation. The investment limits are set and monitored at various levels to ensure that all investment activities are within the guidelines set by the local statutory requirements governed by BNM.

**B. Regulatory Capital Framework**

Regulatory capital is the minimum amount of assets that must be held throughout the financial year to meet statutory solvency requirements governed under the RBC Framework. As part of the statutory requirements, the Company is required to provide its capital position on a quarterly basis to BNM.

The capital structure of the Company, consisting of all funds, as at the date of statements of financial position, as prescribed under the RBC Framework is provided below:

	<u>Note</u>	<u>2019</u> RM'000	<u>2018</u> RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	9	226,000	226,000
Reserves, including retained earnings		1,943,451	1,970,784
Tier 2 Capital		516,017	482,956
Amount deducted from capital		(11,855)	(39,523)
Total capital available		<u>2,673,613</u>	<u>2,640,217</u>

The Company has met both the minimum and internal capital requirements specified in the RBC Framework for the financial years ended 31 December 2018 and 31 December 2019.



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30 INSURANCE RISKS

The risk under any one life insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the estimate. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Stress testing on the financial condition is conducted regularly to assess its ability to withstand adverse deviations in various assumptions. A dynamic solvency testing is performed annually to monitor its solvency position.

Concentration of life insurance contract liabilities

The table below shows the concentration of life insurance contract liabilities (comprise actuarial liabilities, unallocated surplus, provision for outstanding claims and net asset value attributable to unitholders) by types of contract:

	<u>With DPF</u>	<u>Without DPF</u>	<u>Gross</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
<u>31 December 2019</u>			
Whole of life	2,291,181	433,831	2,725,012
Endowment	2,603,314	365,721	2,969,035
Term-mortgage	-	354,062	354,062
Term-others	-	305,363	305,363
Medical and health	-	9,076	9,076
Riders	21,353	135,245	156,598
Other plans	155,588	154,422	310,010
Total	<u>5,071,436</u>	<u>1,757,720</u>	<u>6,829,156</u>
<u>31 December 2018</u>			
Whole of life	2,064,245	297,292	2,361,537
Endowment	2,910,729	235,440	3,146,169
Term-mortgage	-	334,269	334,269
Term-others	-	284,914	284,914
Medical and health	-	14,190	14,190
Riders	29,165	67,363	96,528
Other plans	126,147	98,507	224,654
Total	<u>5,130,286</u>	<u>1,331,975</u>	<u>6,462,261</u>

There is no annuity business in force as at 31 December 2019 and 31 December 2018.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

### 30 INSURANCE RISKS (CONTINUED)

#### Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. All assumptions are reviewed and updated, if necessary, each financial year in order to value insurance contract liabilities that reflect the Company's experience. The assumptions are required to be on best estimate basis, where actual experience has equal chance of being better or worse than estimated.

#### (a) Mortality and morbidity

Mortality assumptions used are based on annual investigation into their respective mortality experience over the recent financial years, and are expressed as a percentage of a standard mortality table.

The morbidity assumptions for dread disease benefits are based on a percentage of the reinsurer's risk premium rates.

#### (b) Lapse and surrender rates

Lapse and surrender assumptions are based on an annual investigation into their respective withdrawal experience over the recent financial years, and are expressed as rates of withdrawal, split by duration in-force.

#### (c) Discount rate

For the participating business, discount rates used to value insurance contract liabilities is determined based on the best estimate investment returns.

To determine the best estimate investment returns, the Company has broken down the assets in the fund as at the reporting date into various asset classes, and has applied long term expected returns to each class. A weighted average rate of investment return is then derived by combining different proportions of the various asset classes.

Contract liabilities for non-participating business and guaranteed liabilities of the participating business are computed by discounting policy cash flows using risk-free interest rates. The risk-free rates used are derived from the gross yields to redemption of benchmark government securities as at the date of valuation.

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30 INSURANCE RISKS (CONTINUED)

Sensitivities

The Company conducted a sensitivity analysis on the actuarial liabilities as at the date of the statements of financial position, based on the change in one specific assumption while holding all other assumptions constant. Sensitivity information will also vary according to the current economic assumptions.

<u>Assumption</u>	<u>Change in assumption</u>	Impact on gross <u>actuarial liabilities</u> RM'000	Impact on <u>profit after tax</u> RM'000	Impact on <u>equity</u> RM'000
<u>31 December 2019</u>				
Worsening of mortality/morbidity	+25%	157,296	(101,006)	(101,006)
Improvement in mortality/morbidity	-25%	(154,088)	96,113	96,113
Worsening of lapse and surrender rates	+25%	(92,289)	10,551	10,551
Improvement in lapse and surrender rates	-25%	114,308	(13,782)	(13,782)
Increase in discount rate	100 basis points upward shift	(403,348)	88,017	88,017
Decrease in discount rate	100 basis points downward shift	525,525	(104,477)	(104,477)
<u>31 December 2018</u>				
Worsening of mortality/morbidity	+25%	141,936	(88,918)	(88,918)
Improvement in mortality/morbidity	-25%	(143,728)	88,173	88,173
Worsening of lapse and surrender rates	+25%	(66,599)	1,390	1,390
Improvement in lapse and surrender rates	-25%	82,975	(3,538)	(3,538)
Increase in discount rate	100 basis points upward shift	(357,345)	67,056	67,056
Decrease in discount rate	100 basis points downward shift	482,313	(80,352)	(80,352)

The method used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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### 31 FINANCIAL RISKS

The Company is exposed to a range of financial risks, including credit risk, liquidity risk and market risk.

Financial risks of investment-linked investment is not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the policyholders, and do not directly affect the profit before tax of the Company. Furthermore, investment-linked policyholders are responsible for allocation of the policy values amongst investment options offered by the Company. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Company's profit or loss, as the Company has selected the fair value option for all investment-linked investments with corresponding change in insurance contract liabilities for investment-linked contracts.

#### Credit Risk

The Company is exposed to credit risk through investments in cash, money market and debt instruments, lending activities and exposure to counterparty's credit in reinsurance contracts.

For all three types of exposures, financial loss may materialise as a result of default by the borrower or counterparty. For investments in cash, money market and debt instruments, financial loss may also materialise as a result of a default by the issuer on coupon payment or principal amount. The Company has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis by the management.

The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

The Company manages its lending activities by extending loans against collateral pledged to the Company. Regular monitoring and review of the payments of loans are performed by the Company to identify any non-performing loans. Any non-performing loan identified is communicated to the management. Appropriate actions will be taken for the possible course of recovery and provision of these loans.

There were no significant changes to the credit risk management of the Company.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

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31 **FINANCIAL RISKS (CONTINUED)**

Credit Risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets in accordance with the Company's credit ratings of counterparties:

	<u>Neither past due nor impaired</u>		<u>Impaired</u>	<u>Total</u> RM'000
	<u>Investment grade (AAA to A-)</u> RM'000	<u>Not rated</u> RM'000	<u>Not rated</u> RM'000	
<u>31 December 2019</u>				
AFS financial assets				
Debt securities	2,423,051	1,598,566	-	4,021,617
FVTPL financial assets				
Debt securities	308,897	98,546	-	407,443
HTM financial assets				
Debt securities	172,616	791,108	-	963,724
Loans and receivables				
Loans	-	461,177	-	461,177
Insurance receivables	-	29,590	-	29,590
Other receivables*	-	34,219	-	34,219
Cash and cash equivalents	354,463	-	-	354,463
	<u>3,259,027</u>	<u>3,013,606</u>	<u>-</u>	<u>6,272,633</u>
<u>31 December 2018</u>				
AFS financial assets				
Debt securities	2,406,261	1,463,145	-	3,869,406
FVTPL financial assets				
Debt securities	246,717	71,134	-	317,851
HTM financial assets				
Debt securities	192,865	792,135	-	985,000
Loans and receivables				
Loans	-	484,335	-	484,335
Insurance receivables	-	56,404	-	56,404
Other receivables*	-	17,173	-	17,173
Cash and cash equivalents	512,104	-	-	512,104
	<u>3,357,947</u>	<u>2,884,326</u>	<u>-</u>	<u>6,242,273</u>

\*Exclude prepayments of RM662,000 as at 31 December 2019 (2018: RM466,000).

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31 **FINANCIAL RISKS (CONTINUED)**

Credit Risk (continued)

The financial assets are classified according to the credit rating by rating agencies approved by BNM. The creditworthiness of the debt securities is assessed by way of credit reviews performed on the issuers on an annual basis.

The financial assets which are not rated mainly comprise Malaysian government securities, corporate debt securities guaranteed by the Federal Government of Malaysia and loans. The corporate debt securities, although not rated are issued or guaranteed by the Federal Government of Malaysia which carry minimal credit risk.

The Company's loans receivable include policy loans, mortgage loans and other secured loans to staff and policyholders. Policy loans and mortgage loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The type of collaterals, held by the Company as lender, for which it is entitled to in the event of default is as follows:

		Carrying value 2019 RM'000	Carrying value 2018 RM'000
Policy loans	Cash surrender value	460,216	483,310
Mortgage loans	Properties	961	1,010
Secured loans	Motor vehicle	-	15
		<u>461,177</u>	<u>484,335</u>

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31 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

As at 31 December 2019, the impairment allowance of insurance receivables of RM29.6 million is RM0.2 million (2018: RM0.4 million), and the impairment allowance of other receivables is RM0.8 million (2018: RM0.4 million). Impairment of insurance receivables and other receivables are performed based on a collective assessment. No collateral is held as security for any impaired assets. The Company records impairment loss for insurance receivables and other receivables in separate allowance accounts. A reconciliation of the allowance for impairment losses for insurance receivables and other receivables are as follows:

	<u>Insurance receivables</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At 1 January	399	1,475
Decrease during the financial year	(206)	(1,076)
At 31 December	<u>193</u>	<u>399</u>

  

	<u>Other receivables</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At 1 January	427	1,909
Increase/(decrease) during the financial year	392	(1,482)
At 31 December	<u>819</u>	<u>427</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

### 31 FINANCIAL RISKS (CONTINUED)

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The liquidity demands of the Company are met through ongoing operations which include continuous premium income and investment income. The expected liquidity needs are often met through projection of outflows from the in-force insurance policy contract liabilities; the liabilities include renewal commissions, claims and other benefits (maturity and surrender). Whilst the nature of these outflows is deemed to be largely stable and can be assumed at outset, the Company remains susceptible to exceptional experiences (surrender or catastrophic events) for its insurance portfolio. Also, the Company may be subject to unexpected liquidity tightening due to adverse implications from the wider economic factors (domestic or global) or undue volatilities and unexpected losses experienced within investments.

Liquidity risk is reduced by having insurance contract liabilities that are well diversified by product and policyholder. The Company designs insurance products to encourage policyholders to maintain their policies-in-force, thereby generating a diversified and stable flow of recurring premium income.

The Company adopts prudent liquidity risk management by monitoring daily liquidity and cash movements to ensure liquidity is available and cash is employed optimally. The Company has cash and cash equivalents of RM354.5 million as at 31 December 2019 (2018: RM512.1 million) to meet its liquidity requirements.

Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders. Expected liquidity demands are managed through a combination of treasury, investment and capital management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years. Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.



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31 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

*Maturity profiles of financial assets*

The table below summarises the maturity profile of the financial assets of the Company:

	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>31 December 2019</u>					
AFS financial assets	407,014	1,096,723	2,517,880	1,737,769	5,759,386
FVTPL financial assets	28,535	145,953	232,955	688,695	1,096,138
HTM financial assets	10,125	40,677	912,922	-	963,724
Loans and receivables	-	-	-	461,177	461,177
Insurance receivables	29,590	-	-	-	29,590
Other receivables*	34,619	-	-	-	34,619
Cash and cash equivalents	354,463	-	-	-	354,463
Total financial assets	<u>864,346</u>	<u>1,283,353</u>	<u>3,663,757</u>	<u>2,887,641</u>	<u>8,699,097</u>
<u>31 December 2018</u>					
AFS financial assets	320,275	1,146,775	2,402,356	1,482,693	5,352,099
FVTPL financial assets	30,289	112,548	175,013	542,721	860,571
HTM financial assets	20,160	50,881	913,959	-	985,000
Loans and receivables	-	-	-	484,335	484,335
Insurance receivables	56,404	-	-	-	56,404
Other receivables*	17,173	-	-	-	17,173
Cash and cash equivalents	512,104	-	-	-	512,104
Total financial assets	<u>956,405</u>	<u>1,310,204</u>	<u>3,491,328</u>	<u>2,509,749</u>	<u>8,267,686</u>

\*Exclude prepayments of RM662,000 as at 31 December 2019 (2018: RM466,000).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

*Maturity profiles of financial liabilities*

The table below summarises the maturity profile of the financial liabilities of the Company:

	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>31 December 2019</u>				
Insurance contract liabilities*:				
With DPF	590,191	811,134	3,670,111	5,071,436
Without DPF	741,866	58,404	957,450	1,757,720
Insurance payables	522,603	-	-	522,603
Lease liabilities	543	-	-	543
Other payables	64,248	-	-	64,248
	<u>1,919,451</u>	<u>869,538</u>	<u>4,627,561</u>	<u>7,416,550</u>
<u>31 December 2018</u>				
Insurance contract liabilities*:				
With DPF	566,075	1,063,775	3,500,436	5,130,286
Without DPF	495,730	54,030	782,215	1,331,975
Insurance payables	508,263	-	-	508,263
Other payables	62,906	-	-	62,906
	<u>1,632,974</u>	<u>1,117,805</u>	<u>4,282,651</u>	<u>7,033,430</u>

\* Excluding AFS fair value adjustment and asset revaluation surplus adjustment.

Investment-linked liabilities are repayable or transferable on demand and are included in the “up to 1 year” column. Repayments which are subject to notice are treated as if notice was to be given immediately.

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31 **FINANCIAL RISKS (CONTINUED)**

Market Risk

(a) **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). The Company is exposed to foreign exchange risk primarily from transactions denominated in foreign currencies such as Singapore Dollar ("SGD") and others pertaining to investment activities. The management manages foreign currency risk by setting limits and monitoring the exposure to foreign currency on a regular basis.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

Currency risk arising from investments in foreign currency instruments is generally not hedged as the Company's exposure is minimal.

The analysis below summarises the currency exposure of the Company.

31 December 2019

	<u>SGD</u>	<u>RM</u>	<u>Others</u>	<u>'000</u> <u>Total</u>
<b>Financial assets</b>				
AFS financial assets	-	5,759,386	-	5,759,386
FVTPL financial assets	-	722,085	374,053	1,096,138
HTM financial assets	-	963,724	-	963,724
Loans and receivables	-	461,177	-	461,177
Insurance receivables	-	29,590	-	29,590
Other receivables*	-	34,619	-	34,619
Cash and cash equivalents	-	354,463	-	354,463
	-	8,325,044	374,053	8,699,097
<b>Financial liabilities</b>				
Insurance contract liabilities**	-	6,829,156	-	6,829,156
Insurance payables	-	522,603	-	522,603
Lease liabilities	-	543	-	543
Other payables	-	64,248	-	64,248
	-	7,416,550	-	7,416,550

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(a) Currency Risk (continued)

31 December 2018

	<u>SGD</u>	<u>RM</u>	<u>Others</u>	<u>'000</u> <u>Total</u>
<b>Financial assets</b>				
AFS financial assets	-	5,352,099	-	5,352,099
FVTPL financial assets	-	530,761	329,810	860,571
HTM financial assets	-	985,000	-	985,000
Loans and receivables	-	484,335	-	484,335
Insurance receivables	-	56,404	-	56,404
Other receivables*	-	17,173	-	17,173
Cash and cash equivalents	-	512,104	-	512,104
	<u>-</u>	<u>7,937,876</u>	<u>329,810</u>	<u>8,267,686</u>
<b>Financial liabilities</b>				
Insurance contract liabilities**	-	6,462,261	-	6,462,261
Insurance payables	-	508,263	-	508,263
Other payables	-	62,906	-	62,906
	<u>-</u>	<u>7,033,430</u>	<u>-</u>	<u>7,033,430</u>

\* Exclude prepayments of RM662,000 as at 31 December 2019 (2018: RM466,000).

\*\* Excluding AFS fair value adjustment and asset revaluation surplus adjustment.

The potential impacts arising from currency risk are deemed insignificant. Accordingly, no sensitivity analysis is being disclosed.

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31 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(b) Interest Rate/Profit Yield Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

A study of movement in risk-free rate is undertaken for the market. A 40 (2018: 50) basis point movement in the interest rate market is considered to be reasonable basis for interest rate sensitivity analysis. Investments in debt securities held-to-maturity are excluded as these are accounted for at amortised cost, and their carrying amounts are not sensitive to changes in the level of interest rates.

For investment-linked funds, the risk exposure to the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

The analysis below summarises the Company's sensitivity analysis.

<u>Change in variables</u>	Impact on insurance <u>contract liabilities</u> RM'000	Impact on profit <u>after tax</u> RM'000	Impact on <u>equity</u> RM'000
<u>31 December 2019</u>			
+40 basis points	(54,200)	(2,717)	(35,009)
-40 basis points	56,734	2,843	36,820
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>31 December 2018</u>			
+50 basis points	(70,281)	(2,746)	(34,514)
-50 basis points	74,212	2,906	36,672
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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31 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(c) Price Risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment in securities not held for the account of investment-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year, and has no significant concentration of price risk.

The analysis below summarises the Company's price risk analysis.

<u>Market indices</u>	<u>Change in variables</u>	<u>Impact on insurance contract liabilities</u> RM'000	<u>Impact on profit after tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>31 December 2019</u>				
Bursa Malaysia	+10%	157,275	4,573	12,031
Bursa Malaysia	-10%	(157,275)	(5,625)	(12,031)
<u>31 December 2018</u>				
Bursa Malaysia	+10%	136,350	3,930	8,090
Bursa Malaysia	-10%	(136,350)	(4,955)	(8,090)

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**32 INSURANCE FUND**

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996. The Company's statement of financial position and statement of comprehensive income have been further analysed by funds which includes Life Fund and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole of Life, Term Assurance, Endowment and Investment-linked products.

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (Chief Operating decision maker). The Company has two operating segments comprises Life Fund and Shareholders' Fund in Malaysia.

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32 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Property, plant and equipment	-	-	175,480	174,798	-	-	175,480	174,798
Right-of-use assets	-	-	508	-	-	-	508	-
Investment properties	-	-	168,104	159,095	-	-	168,104	159,095
Intangible assets	-	25,249	11,855	14,273	-	-	11,855	39,522
Financial investments								
AFS financial assets	207,337	222,779	5,552,049	5,129,320	-	-	5,759,386	5,352,099
FVTPL financial assets	7,749	7,646	1,088,389	852,925	-	-	1,096,138	860,571
HTM financial assets	-	-	963,724	985,000	-	-	963,724	985,000
Loans and receivables	285	327	460,892	484,008	-	-	461,177	484,335
Insurance receivables	-	-	29,590	56,404	-	-	29,590	56,404
Other receivables	23,022	24,734	31,262	13,331	(19,003)	(20,426)	35,281	17,639
Cash and bank balances	7,376	12,848	347,087	499,256	-	-	354,463	512,104
<b>TOTAL ASSETS</b>	<b>245,769</b>	<b>293,583</b>	<b>8,828,940</b>	<b>8,368,410</b>	<b>(19,003)</b>	<b>(20,426)</b>	<b>9,055,706</b>	<b>8,641,567</b>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>								
Share capital	226,000	226,000	-	-	-	-	226,000	226,000
Retained earnings	17,222	64,001	635,257	604,901	-	-	652,479	668,902
Available-for-sale reserve	3,029	806	64,079	12,292	-	-	67,108	13,098
Asset revaluation reserve	-	-	3,208	3,029	-	-	3,208	3,029
<b>TOTAL EQUITY</b>	<b>246,251</b>	<b>290,807</b>	<b>702,544</b>	<b>620,222</b>	<b>-</b>	<b>-</b>	<b>948,795</b>	<b>911,029</b>



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

32 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Insurance contract liabilities	-	-	7,258,035	6,925,261	-	-	7,258,035	6,925,261
Insurance payables	-	-	522,603	508,263	-	-	522,603	508,263
Lease liabilities	-	-	543	-	-	-	543	-
Other payables	-	1,546	83,251	81,786	(19,003)	(20,426)	64,248	62,906
Provision for agency long association benefits	-	-	31,378	29,480	-	-	31,378	29,480
(Tax recoverable)/current tax liabilities	(1,292)	1,179	15,309	7,168	-	-	14,017	8,347
Deferred tax liabilities	810	51	215,277	196,230	-	-	216,087	196,281
<b>TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES</b>	<b>(482)</b>	<b>2,776</b>	<b>8,126,396</b>	<b>7,748,188</b>	<b>(19,003)</b>	<b>(20,426)</b>	<b>8,106,911</b>	<b>7,730,538</b>
<b>TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>	<b>245,769</b>	<b>293,583</b>	<b>8,828,940</b>	<b>8,368,410</b>	<b>(19,003)</b>	<b>(20,426)</b>	<b>9,055,706</b>	<b>8,641,567</b>

Additional information:

Purchase of property, plant and equipment	-	-	3,805	6,392	-	-	3,805	6,392
Purchase of intangible assets	-	-	4,446	2,155	-	-	4,446	2,155

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

32 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gross earned premium revenue	-	-	1,321,334	1,311,098	-	-	1,321,334	1,311,098
Premiums ceded to reinsurers	-	-	(44,485)	(39,425)	-	-	(44,485)	(39,425)
Net earned revenue	-	-	1,276,849	1,271,673	-	-	1,276,849	1,271,673
Investment income	11,105	10,495	338,917	337,577	-	-	350,022	348,072
Net realised gains/(losses)	67	663	149,774	(2,870)	-	-	149,841	(2,207)
Net fair value gains/(losses)	103	56	69,527	(73,918)	-	-	69,630	(73,862)
Commission income	-	-	3,445	5,152	-	-	3,445	5,152
Other income	11,275	11,214	561,663	265,941	-	-	572,938	277,155
Gross benefits and claims paid	-	-	(1,149,889)	(1,000,472)	-	-	(1,149,889)	(1,000,472)
Claims ceded to reinsurers	-	-	31,188	38,021	-	-	31,188	38,021
Gross change to insurance contract liabilities	-	-	(330,608)	(120,587)	-	-	(330,608)	(120,587)
Net insurance benefits and claims	-	-	(1,449,309)	(1,083,038)	-	-	(1,449,309)	(1,083,038)

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32 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commission and agency expenses	(4,469)	(1,504)	(142,404)	(131,519)	-	-	(146,873)	(133,023)
Management expenses	(28,394)	(31,355)	(152,638)	(146,746)	-	-	(181,032)	(178,101)
Other operating (expenses)/income- net	(1,294)	-	44	1,995	-	-	(1,250)	1,995
Other expenses	(34,157)	(32,859)	(294,998)	(276,270)	-	-	(329,155)	(309,129)
Inter-fund transfer:								
From Life Fund to SHF	16,258	18,931	(16,258)	(18,931)	-	-	-	-
(Loss)/profit before taxation	(6,624)	(2,714)	77,947	159,375	-	-	71,323	156,661
Taxation	(3,455)	(3,599)	(47,591)	(44,969)	-	-	(51,046)	(48,568)
Net (loss)/profit for the financial year	(10,079)	(6,313)	30,356	114,406	-	-	20,277	108,093

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32 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):								
<u>Items that will be reclassified subsequently to profit or loss</u>								
Fair value change on available-for-sale financial assets:								
Net gains/(losses) arising during financial year	2,927	(512)	156,128	(136,038)	-	-	159,055	(136,550)
Realised (gains)/losses transferred to profit or loss	(3)	27	(137,532)	(95,745)	-	-	(137,535)	(95,718)
Impairment losses transferred to profit or loss	-	-	11,966	65,556	-	-	11,966	65,556
Tax effects thereon	(701)	116	(15,392)	10,225	-	-	(16,093)	10,341
Fair value gains/(losses), net of tax	2,223	(369)	15,170	(156,002)	-	-	17,393	(156,371)
Change in insurance contract liabilities arising from net fair value (gains)/losses	-	-	36,617	155,687	-	-	36,617	155,687
Net fair value change	2,223	(369)	51,787	(315)	-	-	54,010	(684)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

32 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss): (continued)								
<u>Items that will not be reclassified subsequently to profit or loss</u>								
Asset revaluation reserve:								
Gross asset revaluation surplus	-	-	2,957	6,979	-	-	2,957	6,979
Tax effects thereon	-	-	(282)	(1,315)	-	-	(282)	(1,315)
Asset revaluation surplus, net of tax	-	-	2,675	5,664	-	-	2,675	5,664
Change in insurance contract liabilities arising from net asset revaluation surplus	-	-	(2,496)	(5,931)	-	-	(2,496)	(5,931)
Net asset revaluation surplus/(deficit)	-	-	179	(267)	-	-	179	(267)
Total other comprehensive income/(loss)	2,223	(369)	51,966	(582)	-	-	54,189	(951)
Total comprehensive (loss)/income for the financial year	(7,856)	(6,682)	82,322	113,824	-	-	74,466	107,142

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32 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Additional information:								
Interest income	7,362	7,964	280,703	274,897	-	-	288,065	282,861
Interest expenses	-	-	(983)	(843)	-	-	(983)	(843)
Depreciation	-	-	(6,504)	(5,929)	-	-	(6,504)	(5,929)
Amortisation	(25,250)	(25,249)	(6,987)	(6,818)	-	-	(32,237)	(32,067)

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**33 INVESTMENT-LINKED FUND**

The statement of financial position and statement of comprehensive income of investment-linked fund represent the assets, liabilities and net asset values of TokioMarine Orient Fund (“TMOF”), TokioMarine Enterprise Fund (“TMEF”), TokioMarine Bond Fund (“TMBF”), TokioMarine Dana Ikhtiar (“TMDI”) and TokioMarine Luxury Fund (“TMLX”).

The statement of financial position of the investment-linked fund is represented by:

	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>ASSETS</b>		
Fair value through profit and loss financial assets	502,804	309,237
Other receivables	3,276	800
Cash and cash equivalents	42,769	60,935
Tax recoverable	-	94
Deferred tax assets	184	286
	<u>549,033</u>	<u>371,352</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Other payables	1,084	2,111
Current tax liabilities	864	-
	<u>1,948</u>	<u>2,111</u>
<b>TOTAL LIABILITIES</b>		
Net asset value of funds (Note 11)	<u>547,085</u>	<u>369,241</u>

The statement of financial position has been adjusted for the following assets, liabilities and net asset value of TokioMarine Managed Fund (“TMMF”) which have been eliminated as TMMF invested mainly in TMEF and TMBF during the financial year:

	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>ASSETS</b>		
Investments in other linked funds of insurer	225,898	129,380
Cash and cash equivalents	1	1
	<u>225,899</u>	<u>129,381</u>
<b>Net asset value of TMMF</b>		

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33 INVESTMENT-LINKED FUND (CONTINUED)

The statement of comprehensive income of the investment-linked fund is represented by:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Investment income	11,991	8,008
Fair value gains/(losses) on investments	11,554	(37,987)
Other operating income - net	30	30
	<hr/>	<hr/>
Other income/(loss)	23,575	(29,949)
	<hr/>	<hr/>
Management fees	(4,959)	(3,594)
Management expenses	(28)	(25)
	<hr/>	<hr/>
Other expenses	(4,987)	(3,619)
	<hr/>	<hr/>
Profit/(loss) before tax	18,588	(33,568)
Taxation	(1,400)	2,725
	<hr/>	<hr/>
Net profit/(loss) for the financial year	<u>17,188</u>	<u>(30,843)</u>

The statement of comprehensive income have been adjusted for TokioMarine Managed Fund ("TMMF") which have been eliminated as TMMF invested mainly in TMEF and TMBF during the financial year:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Fair value gains/(losses) on investments	4,338	(8,731)
Management expenses	(6)	(5)
	<hr/>	<hr/>
Net profit/(loss) for the financial year	<u>4,332</u>	<u>(8,736)</u>



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**34 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES**

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

	<b>Financial assets with SPPI cash flows (RM'000)</b>	<b>All other financial assets (RM'000)</b>
Fair value at end of reporting date	5,617,113	2,592,839
Fair value changes during the financial year	188,156	(245,313)
Gross carrying amount under MFRS 139 by credit risk rating grades as defined in MFRS 7	5,617,113	2,592,839
Financial assets defined in MFRS 9 B5.5.22, to separately disclose the following financial assets that do not have low credit risk: - Fair value - Gross carrying amount	-	-

\* Insurance receivables and policy loans have been excluded from the above assessment as they are under the scope of MFRS 4 'Insurance Contracts'.

\* Other than the financial assets included in the table above and assets that are within the scope of MFRS 4 'Insurance Contracts', all other assets in the statement of financial position are non-financial asset.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

34 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Financial assets with SPPI cash flows

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Government</u>	<u>Unrated</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>Guaranteed</u>	<u>RM'000</u>	<u>RM'000</u>
				<u>RM'000</u>		
<u>31 December 2019</u>						
Investments						
Malaysian Government Securities	-	-	-	-	497,394	497,394
Malaysian Government Guaranteed Bond	-	-	-	1,509,049	-	1,509,049
Government Investment Issues	-	-	-	-	407,690	407,690
Corporate debt securities	1,041,664	1,431,476	284,492	-	57,930	2,815,562
Loans	-	-	-	-	961	961
Other receivables	-	-	-	-	35,281	35,281
Cash and cash equivalents	229,833	124,578	-	-	52	354,463
	<u>1,271,497</u>	<u>1,556,054</u>	<u>284,492</u>	<u>1,509,049</u>	<u>999,308</u>	<u>5,620,400</u>

All financial assets with SPPI cash flows of the Company as at 31 December 2019 have low credit risk.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**

**35 CHANGE IN ACCOUNTING POLICIES**

**Adoption of MFRS 16 'Leases'**

The Company has adopted MFRS 16 'Leases' issued by MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations. As permitted by MFRS 16, the Company has adopted the simplified transitional approach and will not restate comparative amounts for the financial year prior to first adoption.

Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Company was at 5.5%.

Summarised below are the effects upon adoption of MFRS 16 as at 1 January 2019:

	31 December 2018	Effect on adoption of MFRS 16	1 January 2019
	RM'000	RM'000	RM'000
<u>Assets</u>			
Rights of use assets	-	1,002	1,002
<u>Liabilities</u>			
Lease liabilities	-	1,002	1,002

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	RM'000
Operating lease commitments as at 31 December 2018	1,095
Adjustment for operating lease commitments	118
Discounted using the incremental borrowing rate	(76)
Less: Short-term and low-value leases recognised on a straight-line basis as expense	(135)
Lease liability recognised as at 1 January 2019	1,002
The recognised right-of-use assets relate to the following types of assets:	
Properties	698
Office equipment	304
	1,002

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

### 36 SUBSEQUENT EVENTS

#### a) Exclusive bancassurance agreement

On 29 December 2014, the Company and RHB Bank Berhad had entered into an exclusive bancassurance agreement for a period of 10 years commencing from 1 January 2015 and ending on 31 December 2024 with a total facilitation fee of RM210 million. The first payment of RM126 million, being 60% of the facilitation fee was paid in January 2015. The second payment of RM84 million, being the balance 40% of the facilitation fee was paid in January 2020. Under the agreement, RHB Bank Berhad will only sell, distribute, market and promote conventional life insurance products of the Company.

#### b) In the first quarter 2020, the rapid spread of the Covid-19 has been declared a pandemic. Globally, increasing measures are being taken to contain it, and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity.

There is an increasing likelihood that the Covid-19 and the continuous efforts could cause undesirable effects on the Malaysian economy. The Company is closely monitoring the developing situation and the potential impact of the spread of Covid-19 on its operations.