Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019

Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CONTENTS

Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The Group and the Company are principally engaged in the underwriting of all classes of general insurance business. There have been no significant changes in the nature of this activity during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to		
- Owner of the Company	117,518	111,602

DIVIDEND

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 dividend paid on 28 June 2019	66,210

The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

INSURANCE LIABILITIES

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to ascertain that there was adequate provision for 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.

BAD AND DOUBTFUL DEBTS

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

BAD AND DOUBTFUL DEBTS (CONTINUED)

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

CURRENT ASSETS

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

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and 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 Group and 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 Group and the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Group and the Company that has arisen since the financial year, other than as disclosed in Note 34 to the financial statements.

No contingent liability or other liability of the Group and 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 substantially affect the ability of the Company to meet its obligations when they fall due.

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

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 Group and 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 Group and the Company during 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 Group and the Company for the financial year in which this report is made.

SHARE CAPITAL

There were no new shares issued by the Group and the Company during the financial year.

CORPORATE GOVERNANCE

The Company has in place corporate governance framework and practices which are consistent with the requirement of the policy document on Corporate Governance (“Policy Document”), issued by BNM on 3 August 2016 and are continually enhancing the standards of the overall governance of the Company.

1. <u>Board Responsibilities</u>

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. In fulfilling this role, the Board shall:

a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company’s risk profile;

b) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), control function heads and other Members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company;

c) oversee the implementation of the Company’s governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company’s operations;

d) promote, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

e) promote sustainability through appropriate environmental, social and governance considerations in the Company’s business strategies;

CORPORATE GOVERNANCE (CONTINUED)

1. Board Responsibilities (continued)

f) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and

g) promote timely and effective communication between the Company and relevant regulatory bodies on matters affecting or that may affect the safety and soundness of the Company.

2. Board Composition

The Board comprises three (3) Independent Directors and one (1) Executive Director, each 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.

None of the Directors hold any share in the Company.

Independent Directors will serve a tenure of not exceeding nine (9) years.

Members of the Board	Status of Directorship
Dato' Zainal Abidin bin Putih	Chairman, Independent Director
Yip Jian Lee	Independent Director
Yeoh Chong Keng	Independent Director
Tham Saloon *(appointed on 5 July 2019)*	Executive Director*
Shinkichi Miki *(resigned on 5 July 2019)*	Executive Director

* *By virtue of his management position at the Company's holding company, Tokio Marine Asia Pte Ltd, ("TMA"), the directorship of Mr. Tham Saloon is regarded as an Executive Director in accordance to the Policy Document.*

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training

Newly appointed Directors will be apprised of their statutory duties and obligations and will receive an In-House Orientation and Education Programme which includes presentations by the members of the senior management. On an on-going basis, the Company organised in-house trainings for the Directors to share the latest developments affecting the general insurance industry and the Company, amongst others, topics related to new legislations.

The Company encourages continuous professional development for the benefit of the Directors. Directors are also updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company had made available resources for Directors to receive knowledge in any area of interest.

Dato' Zainal Abidin Bin Putih
Chairman, Independent Director
74 Male, Malaysian

Date of First Appointment: 7 March 2017

Membership of Board Committee:
- Member of Audit Committee
- Member of Nomination Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

Dato' Zainal Abidin Putih, is a qualified Chartered Accountant from the Institute of Chartered Accountants in England and Wales (ICAEW). He is a member of Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Dato' Zainal has extensive experience in audit, having worked as a practicing accountant throughout his career covering many principal industries including banks, insurance, energy, transport, manufacturing, government agencies, plantations, properties, hotels, investment companies and unit trusts. He also has a good working knowledge of taxation matters and management consultancy, especially in the areas of acquisitions, takeovers, amalgamations, restructuring and public listing of companies.

Dato' Zainal plays an active role in the community and the corporate world being a Past President of the Malaysian Institute of Certified Public Accountants and was Chairman of the Malaysian Accounting Standards Board (MASB). He was a member of the Malaysian Communication & Multimedia Commission, a body set up by the Malaysian Government to oversee the orderly development of the multimedia and telecommunication industry in Malaysia and also was Chairman of Pengurusan Danaharta Nasional Berhad.

Dato' Zainal is currently Chairman of CIMB Bank Berhad, Dutch Lady Milk Industries Berhad, Land & General Berhad and Touch n' Go Sdn Bhd. He also sits on the boards of Petron Malaysia Refining & Marketing Berhad and several private limited companies and acts as a Trustee of the National Heart Institute Foundation and Yayasan Universiti Multimedia.

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Dato' Zainal Abidin Bin Putih (continued)

Training(s) and Conferences attended during the financial year:

Date of Training	**Training / Conferences**	**Organiser of Training Programs / Conferences**
30 January 2019	CIMB Tech 1 on 1 Briefing for Audit Committee of CIMBGH/CIMBG	CIMB
27 March 2019	BNM Annual Report 2018/Financial Stability and Payment Systems Report 2018 Briefing Session	BNM
20 August 2019	CIMB 2020 Risk Posture Workshop	CIMB
22 and 23 August 2019	3rd Regional Directors' Sharing Session	CIMB
1 and 2 October 2019	The Cooler Earth Sustainability Summit	CIMB
7 and 8 October 2019	Khazanah Megatrends Forum 2019 : Building Our Collective Brain	KHAZANAH
9 October 2019	Understanding Fintech and Its Implications for Insurance Companies	FIDE

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yip Jian Lee
Independent Director
65 Female, Malaysian

Date of First Appointment: 1 March 2013

Membership of Board Committee:
- Chairman of Audit Committee
- Chairman of Remuneration Committee
- Member of Nomination Committee
- Member of Risk Management Committee

Ms. Yip is a qualified Chartered Accountant from the Institute of Chartered Accountants, England & Wales in 1981, and is a member of the Malaysian Institute of Accountants since 1984. She completed her articleship with Hays Allan, United Kingdom between 1977 and 1982.

She had worked with PricewaterHouse Tax Services Sdn Bhd and Hong Leong Assurance Berhad in the areas of taxation, accounting and administration. She subsequently joined the Institute of Bankers Malaysia in 1985 as its Director where she served for 15 years.

Ms Yip had served as a Trustee and Honorary Treasurer of World Wild Life Fund Malaysia for the maximum term of 12 years, from 1996 to 2009. Between 1986 and 1996, she was also the Honorary Secretary to the Malaysian-British Society. She had also served on the boards of Tokio Marine Life Insurance Malaysia Berhad and Northport Berhad.

Currently, she serves on the boards of Asia General Asset Bhd, Carimin Petroleum Berhad and Professional Golf of Malaysia.

Training(s) and Conferences attended during the financial year:

Date of Training	Training / Conferences	Organiser of Training Programs / Conferences
13 March 2019	PowerTalk #3: Revisiting the Misconception of Board Remuneration	Institute of Corporate Directors Malaysia
23 May 2019	Key Amendments To The Main Market Listing Requirements Of Bursa Malaysia Securities Berhad Relating To Continuing Disclosure Obligations And Other Amendments	Cospec Management Services Sdn. Bhd
27 June 2019	Cyber Security in the Boardroom-Accelerating from Acceptance to Action	Deloitte Risk Advisory/Cyber Risk

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yeoh Chong Keng
Independent Director
68 Male, Malaysian

Date of First Appointment: 7 March 2017

Membership of Board Committee:
- Chairman of Nomination Committee
- Chairman of Risk Management Committee
- Member of Audit Committee
- Member of Remuneration Committee

Mr. Yeoh Chong Keng is a lawyer by profession. He was admitted in 1980 as an Utter Barrister, Lincoln's Inn, Bar of England and Wales. In 1981, he was admitted as an Advocate & Solicitor of the High Court of Malaya. Prior to studying law, he served with distinction as a senior officer in the Royal Malaysia Police Force.

Since 1992, he has been the founding Managing Partner of a legal firm in Kuala Lumpur. He has also represented corporations and financial institutions in the High Court, Court of Appeal and Federal Court. Apart from that, he had also acted as counsel for the Government of Hong Kong in several cases. He is well acquainted with corporate and banking laws as well as government policies.

He has sat on the board of directors, audit, remuneration, nomination and risk committees of public listed companies and foreign owned companies in Malaysia.

He is a Notary Public, Commissioner for Oaths, a qualified mediator and an appointed member of the Disciplinary Committee under the Disciplinary Board, Bar Council of Malaysia.

Training(s) and Conferences attended during the financial year:

Date of Training	**Training / Conferences**	**Organiser of Training Programs / Conferences**
1 March 2019	"Let's Get Real" on Anti-Bribery	ICLIF – The Iclif Leadership & Governance Centre
18 April 2019	Business Transformation	Axcelasia Columbus Sdn Bhd
3 May 2019	CG Watch "How Does Malaysia Rank"	ICLIF – The Iclif Leadership & Governance Centre

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Tham Saloon
Executive Director *
56 Male, Malaysian

Date of First Appointment: 5 July 2019

Membership of Board Committee:
- Member of Nomination Committee

** By virtue of his management position at the Company's holding company, TMA, the directorship of Mr. Tham Saloon is regarded as an Executive Director in accordance to the Policy Document.*

Mr. Tham Saloon is currently the Chief Executive Officer ("CEO") of TMA in Singapore and is responsible for heading the life and non-life operations in seven (7) countries. He joined Tokio Marine Group as the Deputy CEO of TMA.

Mr. Tham Saloon is a qualified actuary and a fellow of Society of Actuaries in the United States and Canadian Institute of Actuarial in Canada. He is also a member of the American Academy of Actuaries (MAAA), USA, 1994 and a Chartered Life Underwriter.

Mr. Tham Saloon is a multi-lingual seasoned insurance executive for over 30 years. He has lived and worked in 9 countries/regions (Canada, United States, Taiwan, Indonesia, Philippines, China, Hong Kong, Singapore and Thailand), acting in various executive roles from Chief Financial Officer to Chief Executive Officer and serving in local and regional capacities. Mr. Tham Saloon has wide-ranging international experience and knowledge covering areas of insurance, actuarial, finance, investment and marketing, corporate planning, new business and underwriting. He also has experience in both greenfield start-up experience and management of large complex operations. He has served as a regional lead in two successful M&A deals in 2010. Prior to joining Tokio Marine, he was based in Bangkok and Los Angeles.

Training(s) and Conferences attended during the financial year:

Date of Training	Training / Conferences	Organiser of Training Programs / Conferences
8 March 2019	Anti-Bribery and Anti-Corruption (Asia Pacific)	TMA-Governance
8 March 2019	Conflicts of Interest (Global)	TMA-Governance
29 May 2019	Information and Cyber Risk Awareness (Global)	TMA-Governance
24 June 2019	Insider Trading	TMA-Governance
7 October 2019	Preventing Financial Crime in Insurance (Global)	TMA-Governance
7 October 2019	Global Code of Conduct	TMA-Governance

CORPORATE GOVERNANCE (CONTINUED)

4. Board meetings

During the financial year, the Board met seven (7) times to deliberate and consider a variety of significant matters that required its guidance and approval. The attendance of the existing Directors for the financial year was as follows:-

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Dato' Zainal Abidin bin Putih	7	7
Yip Jian Lee	7	7
Yeoh Chong Keng	7	7
Tham Saloon (appointed on 5 July 2019)	7	3*

Note:

* Mr. Tham Saloon was appointed to the Board on 5 July 2019 and he had fully attended all the 3 meetings held after his appointment as a Director.

All Directors have complied with the required minimum meeting attendance ratio of 75%.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees

In compliance with the Policy Document, the Board established four (4) Board Committees operating on the terms of reference approved by the Board, to assist the Board in the execution of its responsibilities.

These Board Committees shall have the authorities to examine particular issues and report to the Board with their observations and recommendations. The ultimate responsibility for the decision on all matters, however, lies with the entire Board.

a) Risk Management Committee ("RMC")

The RMC supports the Board in the overall risk management oversight of the Company in ensuring the effectiveness and adequacy of the risk management processes and practices put in place by the Company.

The main responsibilities of the RMC are to recommend a robust risk management framework in terms of strategies, policies and risk tolerance, for the Board's approval as well as to provide an overall assessment on the adequacy of the Company's risk reporting infrastructure, which includes resources and support system, in promoting a pro-active risk management culture.

The RMC comprises the following Independent Directors. Four (4) RMC meetings were held during the financial year with attendance of the RMC Members as follows:-

Name of Directors	No. of RMC Meetings Held	No. of RMC Meetings Attended
Yeoh Chong Keng - RMC Chairman	4	4
Yip Jian Lee	4	4
Dato' Zainal Abidin bin Putih	4	4

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

b) Audit Committee ("AC")

The main responsibility of the AC is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company as well as ensuring the effectiveness of the internal controls instituted by the Management. The AC functions on a Terms of Reference approved by the Board of Directors, with the following principal duties and responsibilities:

i. to review and approve the external and internal auditors' audit plan, scope and audit report on their evaluation of the system of internal controls of the Company;
ii. to review the results of the audit and whether or not appropriate action has been taken on the recommendations given by the external and internal auditors;
iii. to evaluate the quality of the audits performed by the external auditors and make recommendations concerning their appointments, termination and remuneration, and to consider the nomination of a person or persons as external auditors;
iv. to provide assurance that the financial information presented by management is relevant, reliable and timely;
v. to oversee compliance with relevant laws and regulations and observance of a proper code of conduct and
vi. to determine the quality, adequacy and effectiveness of the Company's internal control environment.

The remuneration paid and payable to the external auditors as remuneration for their service as auditors for the financial year ended 31 December 2019 was RM304,290 (2018: RM304,290). The fees for other services provided including consultation fee on technical papers review, consultation fee on specific assessments of intercompany charges and non-audit services are disclosed in Note 23 of the financial statements.

The AC comprises the following Independent Directors. Six (6) AC meetings were held during the financial year with attendance of the AC Members as follows:-

Name of Directors	No. of AC Meetings Held	No. of AC Meetings Attended
Yip Jian Lee - AC Chairman	6	6
Dato' Zainal Abidin bin Putih	6	6
Yeoh Chong Keng	6	6

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

c) Nomination Committee ("NC")

The NC is entrusted with the responsibility of proposing new nominees for appointment to the Board to ensure that nominations of new Directors are made in the best interest of the Company and its shareholders. It assesses the suitability of the new nominees, by taking into consideration their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company with potential to complement the skills, knowledge and expertise of the Board.

The NC also makes recommendations to the Board on nominations to fill up Board Committees and the re-appointment of Directors to the Board. In considering the re-appointment, the NC will take into account the director's attendance and participation at meetings, their expertise and commitment, as well as their contributions at Board discussions and effectiveness of the Board.

Apart from recommending the appointment/re-appointment of new/existing Directors, the NC is also responsible to recommend and assess the nominee for the position of CEO and the re-appointment of CEO. The NC also oversee the appointment and management succession planning of the Executive Committee of the Company.

The NC is responsible to oversee performance evaluation of the CEO and Executive Committee members. Whenever applicable and consistent with the Policy Document, the NC's recommendations on the CEO and Executive Committee Members would be made in consultation with the input from the Chairman of the AC and RMC.

The NC is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements in line with the KRP policy.

The NC comprises three (3) Independent Directors and one (1) Executive Director. Five (5) NC meetings were held during the financial year with attendance of the existing NC Members as follows:-

Name of Directors	No. of NC Meetings Held	No. of NC Meetings Attended
Yeoh Chong Keng - NC Chairman, Independent Director	5	5
Tham Saloon - Executive Director	5	1*
Dato' Zainal Abidin Bin Putih - Independent Director	5	5
Yip Jian Lee - Independent Director	5	5

Note:

* Mr. Tham Saloon was appointed to the NC on 5 July 2019 and he had attended the meeting held after his appointment as a member of the NC.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (“RC”)

The main responsibilities of the RC are to establish and recommend to the Board, the remuneration structure and policy, including the terms of employment or contract of service for Executive Directors, Chief Executive Officer and key responsible persons to ensure a strong link is maintained between the level of remuneration and individual performance against agreed targets on total remuneration package.

The Remuneration Committee conducts periodic review of the Directors’ fees and submits its recommendations for the Board’s consideration. No Director was involved in deciding his own remuneration.

Independent Directors are paid Directors’ fees which are recommended by the Board for shareholders’ approval at the Company’s Annual General Meeting.

The RC comprises the following Independent Directors. Four (4) RC meetings were held during the financial year with attendance of the RC members as follows:-

Name of Directors	No. of RC Meetings Held	No. of RC Meetings Attended
Yip Jian Lee - RC Chairman	4	4
Dato’ Zainal Abidin Bin Putih	4	4
Yeoh Chong Keng	4	4

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy

Objective and Key Features

The objective of the Remuneration Policy is to facilitate the attraction, engagement and retention of Directors, CEO and senior officers of relevant capabilities as to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Company. In addition, it seeks to be balanced to ensure the proper management of the Company's funds and is not excessive nor create incentive for imprudent, unsustainable or unethical behaviour in managing the Company. It takes into account the Company's corporate culture and values, business objective and strategy as well as its long-term interests.

The key feature of the policy is that remuneration is focused on being competitive in the insurance industry and will reinforce desired characteristics in the Company. The remuneration has a fixed component and a variable component. The fixed component consists of fixed basic salaries, allowances and other benefits which commensurate with the employee's position and scope of responsibilities while the variable component considers the performance of the Company against the criteria set, the performance of each functional group and the individual performance. In addition, the variable component has a direct link to the tenure of the majority of risks underwritten by the business of the Company.

The Company's remuneration policy is reviewed periodically and revised when necessary, to ensure its continued relevance and objectivity.

Scope

The scope of Remuneration Policy applies to the Company, which operates its business only in Malaysia.

The Company categorises its senior officers into two; senior officers who are appointed to the Executive Committee (referred to as "EXCO Members"), the highest decision making committee at management level and the other categories are those senior officers, though not EXCO Members, can materially commit or control significant amount of the Company's resources or whose actions may have an impact to its risk profile (together with EXCO members, they are collectively referred to as "Key Responsible Persons").

Officers with control measures are measured differently in determining their remuneration. Their measurements do not take into account revenue or financial measures. Depending on their roles, they may be measured on the effectiveness of the control measures they are responsible for.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

EXCO Members
- Chief Executive Officer ("CEO")
- Deputy Chief Executive Officer ("DCEO")
- Executive Advisor
- Chief Agency Officer
- Chief Claims Officer
- Chief Financial Officer
- Chief Information Officer
- Head, Human Resource
- General Manager, Corporate Marketing
- General Manager, Corporate Planning
- Head, Policy Operations & Customer Service
- General Manager, Motor Franchise Holders & Dealers

Other Key Responsible Persons
- Chief Risk & Compliance Officer ("CRCO")
- Chief Internal Auditor
- General Manager, Actuary

Risks

Key risks that are taken into consideration when determining compensation measures include:

Manpower Risk: Attraction, engagement and retention of required human capital
In order to ensure the attraction, engagement and retention of required human capital, the level of remuneration is designed to be competitive. As such, remuneration levels will move with conditions in the labour market, and the general benchmark levels have moved upwards in the financial year with the rising wages in the industry.

Insurance Risk: Performance of Insurance Risks
The remuneration of employees takes into account the carrying degrees of risk of loss from insurance risk that is underwritten by the Company, tying the Company's performance and variable components to performance to the realization of this risk over the period taken. Remuneration levels will decrease when these risks increase within the financial year and vice versa. As the claims history has deteriorated in the financial year, the remuneration will be reduced accordingly.

Performance and Remuneration

The remuneration practices for employees are linked to the Company's performance.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

Performance and Remuneration (continued)

The Company's performance takes into account financial metrics (such as revenue, underwriting performance and profitability), risk and compliance metrics, customer metrics and productivity metrics. The Board sets the Company's target metrics for the year and the corresponding impact on remuneration in relation to performance. These metrics are used to determine the Company's performance, as to whether it is strong, acceptable or weak as well as the corresponding impact on variable remuneration for executives. As an employee's variable remuneration is influenced significantly by the Company's performance metrics. As such, should the Company perform well, an employee's variable remuneration will increase and vice versa.

In addition to the performance of the Company, an employee's variable remuneration is determined by the performance of the individual's functional group and the individual's personal performance and overall contribution to the Company. This encourages working across the Company and teamwork in delivering the Company's functional priorities in addition to personal performance and contribution.

Variable Components of Remuneration

As the Company's business risk is generally short term, the Company does not have a deferred variable remuneration scheme as of this financial year.

The Company generally uses annual variable cash bonuses for its senior officers, of which the quantum is determined by the Company's performance relative to the performance metrics set. The ratio of variable pay to fixed pay is generally similar for employees across the organization, except for the CEO where a higher variable pay component is targeted, subject to the performance of the Company.

Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

Variable Components of Remuneration (continued)

The remuneration paid and accrued to the Board members, CEO, EXCO Members and other Key Responsible Persons during the financial year ended 31 December 2019 are shown in the following tables.

		Fixed Remuneration			Variable Remuneration			Total value of remuneration awards for the financial year
Name	Directorship / Designation	Cash-based	Shares and share-linked instrument	Others	Cash-based	Shares and share-linked instrument	Others	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Zainal Abidin Bin Putih	Chairman / Director	110	-	-	5	-	-	115
Yeoh Chong Keng	Director	90	-	-	5	-	-	95
Yip Jian Lee	Director	100	-	-	5	-	-	105
Shinkichi Miki	Executive Director	33	-	-	1	-	-	34
Saloon Tham	Executive Director	-	-	-	-	-	-	-
Ng Hang Ming	Chief Executive Officer	1,253	-	28	448	-	-	1,729

		Fixed Remuneration			Variable Remuneration			Total value of remuneration awards for the financial year
Category	No of Headcount	Cash-based	Shares and share-linked instrument	Others	Cash-based	Shares and share-linked instrument	Others	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EXCO	11	5,811	-	442	1,112	-	-	7,365
Key Responsible Persons	3	1,541	-	-	305	-	-	1,846

The remuneration of the EXCO members and other key responsible persons above have been prorated based on the respective dates of their appointment to/withdrawal from the EXCO or when they are categorised/de-categorised as Key Responsible Persons.

No deferred fixed remuneration, shares and share-linked instrument was paid and accrued to the Board members, CEO, EXCO Members and other Key Responsible Persons during the financial year ended 31 December 2019.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

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 RM20 million and RM43,258 respectively.

6. Risk Management and Internal Control Framework

The Risk Management framework of the Company comprises an ongoing process for identifying, evaluating and measuring the significant risks faced by the Company through designated management functions and internal control, which covers all levels of personnel and business processes to ensure that the Company's operations are run in an effective and efficient manner. This is supported by the maintenance of a reliable information system that covers all significant business activities.

Continuous assessment of the effectiveness and adequacy of internal controls, which include the independent examination of controls by the internal audit function, ensures corrective actions, where necessary, are taken in a timely manner.

Board responsibilities

The Board recognises the importance of a sound risk management and internal control framework as part of good corporate governance and in order to safeguard the Company's asset and shareholder's interest. The Board committees, namely the Risk Management Committee and Audit Committee have been delegated with the responsibilities to set the direction and ensure that senior management has all the necessary systems, processes and resources in place to ensure the effectiveness, adequacy and integrity of the Company's overall control environment.

The scope of responsibilities of the Risk Management Committee and Audit Committee are embedded in their respective charters; the Board as a whole, however remains ultimately responsible for the Company's system of risk management and internal control.

The Board also acknowledges that whilst control systems are designed to identify and mitigate business and other associated key risks, they cannot totally eliminate all risks and cannot provide absolute assurance against material misstatements or losses, fraud or breaches of laws or regulations.

Internal Audit

The Internal Audit ("IA") Department, led by the Chief Internal Auditor ("CIA"), has been established to provide assessment of effectiveness and adequacy of internal controls, which include independent examination of controls and ensure corrective actions, where necessary are taken in a timely manner.

The CRCO and CIA also participated in the monthly Executive Committee meetings to keep themselves updated of the Company's latest business activities and provide relevant input on areas concerning business risks and internal control where necessary.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS IN SHARES

The Directors who have held office since the date of the last report are as follows:

Dato' Zainal Abidin bin Putih
Yip Jian Lee
Yeoh Chong Keng
Shinkichi Miki (*resigned on 5 July 2019)*
Tham Saloon *(appointed on 5 July 2019)*

In accordance with the Company's Constitution, Mr. Yeoh Chong Keng shall retire at the forthcoming Annual General Meeting, and being eligible, offer himself for re-election.

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.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Group and the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind shown in the notes to the financial statements of the Group and the Company) by reason of a contract made by the Group and the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest.

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ULTIMATE HOLDING CORPORATION

The Directors regard Tokio Marine Holdings Inc., a corporation incorporated in Japan, as the ultimate holding corporation of the Group and the Company.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 12 May 2020.

SIGNED	SIGNED
YIP JIAN LEE DIRECTOR	YEOH CHONG KENG DIRECTOR

Kuala Lumpur

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Yip Jian Lee and Yeoh Chong Keng, two of the Directors of Tokio Marine Insurans (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 124 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 in accordance with the 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 a resolution of the Directors dated 12 May 2020.

SIGNED	SIGNED
YIP JIAN LEE DIRECTOR	YEOH CHONG KENG DIRECTOR

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

I, Ng Hang Ming, the Chief Executive Officer primarily responsible for the financial management of Tokio Marine Insurans (Malaysia) Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 28 to 124 are, to the best of my knowledge and belief, 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.

SIGNED

NG HANG MING

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 12 May 2020.

Before me,

SIGNED

COMMISSIONER FOR OATH

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 198601000381 (149520-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Tokio Marine Insurans (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their 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 Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 124.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Independence and other ethical responsibilities

We are independent of the Group and 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 Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 Group and 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 Group and 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 the other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 Group or 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 Group and 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:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and 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 Group's and of the Company's internal control.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(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 Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 INSURANS (MALAYSIA) BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198601000381 (149520-U)

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.

SIGNED

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SIGNED

WONG HUI CHERN
03252/05/2022 J
Chartered Accountant

Kuala Lumpur
12 May 2020

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Property, plant and equipment	4	25,832	17,609	25,832	17,609
Intangible assets	5	179,943	179,943	179,943	179,943
Investments: Available-for-sale	6,7	1,656,128	1,645,935	1,675,858	1,685,632
Reinsurance assets	8	250,742	240,820	250,742	240,820
Insurance receivables	9	86,293	98,432	86,293	98,432
Loans and receivables (excluding insurance receivables)	10	427,618	387,820	406,550	347,817
Cash and bank balances		25,906	22,552	25,872	22,532
Total Assets		2,652,462	2,593,111	2,651,090	2,592,785
EQUITY AND LIABILITIES					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	818,144	768,345	782,119	738,236
Other reserves	13	25,060	558	61,085	30,667
Total Equity		1,246,675	1,172,374	1,246,675	1,172,374
Insurance contract liabilities	14	1,240,974	1,259,701	1,240,974	1,259,701
Deferred tax liabilities	15	8,353	3,353	8,353	3,353
Provision for taxation		1,142	2,949	1,142	2,949
Other financial liabilities	16	11,754	6,644	11,754	6,644
Insurance payables	17	53,334	64,304	53,334	64,304
Other payables	18	90,230	83,786	88,858	83,460
Total Liabilities		1,405,787	1,420,737	1,404,415	1,420,411
Total Equity and Liabilities		2,652,462	2,593,111	2,651,090	2,592,785

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

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Gross earned premiums	19(a)	874,326	995,157	874,326	995,157
Premiums ceded to reinsurers	19(b)	(161,969)	(187,115)	(161,969)	(187,115)
NET EARNED PREMIUMS		712,357	808,042	712,357	808,042
Investment income	20	82,290	82,711	79,555	73,453
Realised gain/(loss)	21	5,185	(2,039)	(1,015)	551
Fee and commission income		40,193	42,603	40,193	42,603
OTHER REVENUE		127,668	123,275	118,733	116,607
TOTAL REVENUE		840,025	931,317	831,090	924,649
Gross claims paid		(517,851)	(627,108)	(517,851)	(627,108)
Claims ceded to reinsurers		63,925	81,496	63,925	81,496
Gross change to insurance contract liabilities		16,417	47,497	16,417	47,497
Change in insurance contract liabilities ceded to reinsurers		7,962	(24,564)	7,962	(24,564)
NET CLAIMS INCURRED		(429,547)	(522,679)	(429,547)	(522,679)
Other operating income	22	5,812	2,801	5,809	2,801
Fee and commission expense		(95,218)	(104,310)	(95,218)	(104,310)
Management expenses	23	(197,906)	(199,698)	(194,884)	(196,574)
Finance costs	24	(559)	-	(559)	-
OTHER EXPENSES		(287,871)	(301,207)	(284,852)	(298,083)
PROFIT BEFORE TAXATION		122,607	107,431	116,691	103,887
Taxation	25	(5,089)	(9,302)	(5,089)	(9,302)
PROFIT FOR THE YEAR		117,518	98,129	111,602	94,585
Attributable to:					
- Owner of the Company		117,518	98,129	111,602	94,585
BASIC EARNINGS PER SHARE (SEN)	26	29	24	28	23

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

Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit for the year		117,518	98,129	111,602	94,585
Other comprehensive income:					
Items that may be subsequently reclassified to the income statement					
Available-for-sale reserves					
- Net gain on fair value arising during the year		39,273	3,688	38,989	9,822
- Net realised (gain)/loss transferred to income statement		(5,165)	2,026	1,035	(564)
		34,108	5,714	40,024	9,258
Tax effects	15	(9,606)	(2,221)	(9,606)	(2,221)
		24,502	3,493	30,418	7,037
Total comprehensive income for the year		142,020	101,622	142,020	101,622
Total comprehensive income attributable:					
- Owner of the Company		142,020	101,622	142,020	101,622

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

Company No.
198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

			Non-distributable		Distributable	
	Note	Share capital RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total equity RM'000
Group						
At 1 January 2018		403,471	4,916	(7,851)	670,216	1,070,752
Profit for the year		-	-	-	98,129	98,129
Other comprehensive income for the year		-	-	3,493	-	3,493
At 31 December 2018		403,471	4,916	(4,358)	768,345	1,172,374
At 1 January 2019, as previously stated		403,471	4,916	(4,358)	768,345	1,172,374
Impact of change in accounting policy	35	-	-	-	(1,509)	(1,509)
At 1 January 2019, as restated		403,471	4,916	(4,358)	766,836	1,170,865
Profit for the year		-	-	-	117,518	117,518
Other comprehensive income for the year		-	-	24,502	-	24,502
Dividend paid	27	-	-	-	(66,210)	(66,210)
At 31 December 2019		403,471	4,916	20,144	818,144	1,246,675

Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Share capital RM'000	Non-distributable Revaluation reserves RM'000	Non-distributable Available-for-sale reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
Company						
At 1 January 2018		403,471	4,916	18,714	643,651	1,070,752
Profit for the year		-	-	-	94,585	94,585
Other comprehensive income for the year		-	-	7,037	-	7,037
At 31 December 2018		403,471	4,916	25,751	738,236	1,172,374
At 1 January 2019, as previously stated		403,471	4,916	25,751	738,236	1,172,374
Impact of change in accounting policy	35	-	-	-	(1,509)	(1,509)
At 1 January 2019, as restated		403,471	4,916	25,751	736,727	1,170,865
Profit for the year		-	-	-	111,602	111,602
Other comprehensive income for the year		-	-	30,418	-	30,418
Dividend paid	27	-	-	-	(66,210)	(66,210)
At 31 December 2019		403,471	4,916	56,169	782,119	1,246,675

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

Company No.

198601000381 (149520-U)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	117,518	98,129	111,602	94,585
Adjustment of:				
Property, plant and equipment				
- depreciation	5,987	8,744	5,987	8,744
- (gain)/loss on disposal	(20)	13	(20)	13
- write off	14	897	14	897
Depreciation for right-of-use (“ROU”) assets	6,533	-	6,533	-
Amortisation of Asset Restoration	109	-	109	-
Interest on lease liability	559	-	559	-
(Gain)/loss on disposal of AFS financial assets	(5,164)	2,026	1,035	(564)
Investment income	(82,290)	(82,711)	(79,555)	(73,453)
Write-back of impairment of insurance and other receivables	(2,189)	(2,094)	(2,189)	(2,094)
Bad debts written off	421	1,767	421	1,767
Tax expense	5,089	9,302	5,089	9,302
Profit from operations before changes in operating assets and liabilities	46,567	36,073	49,585	39,197
Purchases of investments	(467,779)	(648,614)	(73,728)	(290,725)
Proceeds from disposal of investments	493,923	616,570	121,206	271,848
(Increase)/decrease in reinsurance assets	(12,648)	30,577	(12,648)	30,577
Decrease in insurance receivables	16,618	13,302	16,618	13,302
Increase in loans and receivables	(38,504)	(1,328)	(57,337)	(5,682)
Decrease in insurance contract liabilities	(18,727)	(122,646)	(18,727)	(122,646)
Increase in other financial liabilities	5,110	462	5,110	462
Decrease in insurance payables	(10,970)	(26,285)	(10,970)	(26,285)
(Decrease)/increase in other payables	(5,098)	25,017	(6,144)	25,002
	8,492	(76,872)	12,965	(64,950)

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax (paid)/refunded	(11,502)	597	(11,502)	597
Investment income received:				
- Interest	72,788	75,259	8,976	10,285
- Dividend	11,093	9,021	70,418	62,071
Interest paid on lease liabilities	(559)	-	(559)	-
Net cash generated from operating activities	80,312	8,005	80,298	8,003
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(5,335)	(1,984)	(5,335)	(1,984)
Proceeds from disposal of property, plant and equipment	23	200	23	200
Net cash used in investing activities	(5,312)	(1,784)	(5,312)	(1,784)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liability	(5,436)	-	(5,436)	-
Dividend paid	(66,210)	-	(66,210)	-
Net cash used in financing activities	(71,646)	-	(71,646)	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	3,354	6,221	3,340	6,219
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22,552	16,331	22,532	16,313
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25,906	22,552	25,872	22,532
Cash and bank balances	25,906	22,552	25,872	22,532

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Reconciliation of liabilities arising from financing activities

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Lease liabilities				
At 31 December 2018	-	-	-	-
Effect of adoption of MFRS 16	12,992	-	12,992	-
At 1 January 2019	12,992	-	12,992	-
Cash flows	(5,995)	-	(5,995)	-
Interest charge	559	-	559	-
Lease addition	926	-	926	-
At 31 December 2019	8,482	-	8,482	-

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Group and the Company are principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the year.

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

The principal place of business of the Company is located at:

29 - 31st Floor, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur

The Directors regard Tokio Marine Holdings Inc. a corporation incorporated in Japan, as the Company's ultimate holding corporation.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 12 May 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and fair value through other comprehensive income financial assets.

The preparation of financial statements in conformity with MFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM").

The Group and the Company have applied the following standards for the first time in the following periods:

(i) Financial year beginning on or after 1 January 2019

MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Company have applied MFRS 16 with the date of initial application ("DIA") of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases".

As a lessor, the Group and the Company are not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

In addition, the Group and the Company have elected not to reassess whether a contract is, or contain a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group and the Company relied on its assessment made applying MFRS 117.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(i) Financial year beginning on or after 1 January 2019 (continued)

MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations (continued)

(i) Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of-use ("ROU") assets for property and other leases were measured on a retrospective basis as if the new requirements has always been applied.

In applying MFRS 16 for the first time, the Group and the Company has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Leases classified as finance leases under MFRS 117

For leases previously classified as finance leases and presented as a part of 'property, plant and equipment', the Group and the Company recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the DIA.

The detailed impact of these changes are set out in Note 35 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(i) Financial year beginning on or after 1 January 2019 (continued)

IC Interpretation 23 "Uncertainty over Income Tax Treatments"

The Interpretation provides guidance on how to recognise and measure deferred and current income tax assets and liabilities in situations where there is uncertainty over whether the tax treatment applied by an entity will be accepted by the tax authority. If it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, the accounting for income taxes shall be determined consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made, by applying the most likely amount method or the expected value method.

The adoption of the interpretation did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

The Group and the Company will apply the following relevant and applicable new standards, amendments to standards and interpretations in the following periods:

(i) Financial year beginning on or after 1 January 2020

Amendments to MFRS 101 "Presentation of Financial Statements–Definition of Material" and Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors–Definition of Material"

Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108). The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:
- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- Clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(i) Financial year beginning on or after 1 January 2021

MFRS 17 “Insurance Contracts”

MFRS 17 “Insurance Contracts” replaces MFRS 4 “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 from Contracts with Customers”. 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 re-measured 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:

a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less
b) 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

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 Group and the Company are in the progress of assessing the impact of MFRS 17 on its financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group refers to the Company and its investment in structured entities.

(ii) Change in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. The difference between fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposed of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(c) Investment in subsidiaries

In the Company’s separate financial statements, investments in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139 “Financial Instruments: Recognition and Measurement”. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2(e) to the financial statements on goodwill. If the cost of acquisition is less than fair value of the acquired net assets, the difference is recognised directly in the profit or loss.

(e) Intangible assets - Goodwill

Goodwill represents the excess of purchase consideration and related costs of acquisition over the aggregate of the fair value of the net assets of the business acquired at the date of acquisition. See accounting policy Note 2(i) to the financial statements on impairment of non-financial assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment.

The Group and the Company allocate goodwill to the combined general insurance business as a whole, which has been identified as a cash-generating unit.

(f) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Leasehold land and building are subsequently shown at revalued amount, based on periodic valuation of at least once in every 5 years by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, 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 accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the Company, and the cost of the item can be measured reliably. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land and building	42 years
Furniture and fittings	3 - 6 years
Motor vehicles	4 - 5 years
Office equipment and computers	3 - 6 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each statement of financial position date.

Surpluses arising from revaluation are credited to revaluation reserve via the statement of other comprehensive income. 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 the profit or loss during the period in which they incur.

At each date of the statement of financial position, the Group and the Company also assess 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(i) to the financial statements 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 the profit or loss. On disposal of revalued assets, amounts in the revaluation reserve relating to the assets are transferred to retained earnings.

<u>Accounting policies applied from 1 January 2019</u>

From 1 January 2019, leased assets (including leasehold land) are presented under line item of property, plant and equipment in statement of financial position. See accounting note 2(t) on right-of-use ("ROU") assets for these assets.

<u>Accounting policies applied until 31 December 2018</u>

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2(t) on finance lease applied until 31 December 2018) is amortised in equal instalments over the period of 42 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments and other financial assets

The Group and the Company classify its investments and other financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity or available-for-sale. Classification of the financial assets is determined at initial recognition.

(i) Fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL relate to financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or they are part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Financial assets at FVTPL are measured at fair value and any gain or loss arising from a change in the fair value is recognised in the profit or loss. Gains and losses on derecognition of such financial assets are measured as the difference between the sales proceeds and the last adjusted fair value in the profit or loss.

(ii) Held-to-maturity (“HTM”)

Financial assets at HTM are financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. HTM financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the profit or loss when the financial assets are derecognised or impaired.

(iii) Loans and receivables (“LAR”)

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale (“AFS”)

Financial assets at AFS are those that are not classified as FVTPL or HTM or LAR and are measured at fair value. AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, AFS financial assets are subsequently measured at fair value. Any gain or loss arising from a change in fair value, net of income tax, is reported separately in the statement of comprehensive income and reported as a separate component of equity until the financial asset is derecognised or is determined to be impaired. When the financial assets are derecognised or impaired, the cumulative gains or losses previously recognised in equity shall be transferred through the statement of comprehensive income to the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of financial assets

The Group and the Company assess at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset 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 financial asset that can be reliably estimated.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on HTM financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) have been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

(iii) Financial assets carried at fair value

In the case of financial assets classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is transferred from equity through the statement of comprehensive income and recognised in the profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS financial assets carried at fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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, whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss immediately unless it reverses the previous valuation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(j) 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 Group and the Company have also transferred substantially all risks and rewards of ownership.

(k) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and Company.

(ii) Post-employment benefits

The Group and the Company's contributions to the Employees' Provident Fund, the national defined contribution plan, are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for all of their businesses. Reinsurance assets represent balances due from reinsurance companies. 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 Group and the Company from their 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. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group and the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group and the Company will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

The Group and the Company also assume reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value of the consideration received or receivable. 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 Group and Company reduce the carrying amount of the insurance receivable accordingly and recognise that impairment loss in the profit or loss. The Group and the Company gather 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(h) to the financial statements.

(n) General insurance underwriting results

Product classification

The Group and the Company issue contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and 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. As a general guideline, the Group and the Company determine whether they have significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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 expire.

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

Premium income

Premium income is recognised in a year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the year upon issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the date of the statement of financial position are accrued at that date as pipeline premiums.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities refer to the higher of:

(a) the aggregate of the unearned premium reserves ("UPR"); or

(b) the best estimate value of the Group's and the Company's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") at a 75% confidence level as required by BNM, calculated at the overall Group and Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and includes allowance for the Group's and the Company's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the year.

In determining the UPR at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium is used, as follows:

(i) 25% method for marine cargo business;

(ii) time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and

(iii) 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the corresponding percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the statement of financial position date. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the date of the statement of financial position, based on an actuarial valuation with a PRAD at a 75% confidence level as required by BNM.

Throughout the course of the year, management regularly re-assesses claims and provisions both on an individual and class basis, based on independent professional advice and reports, other available information and management's own assessment of the claims and provisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs ("DAC")

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums, is recognised as incurred and properly allocated to the year in which it is probable they give rise to income.

These costs are deferred to the extent that they are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying values, an impairment loss is recognised in the profit or loss.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

For presentation purposes, DAC is netted-off against premium liabilities in the financial statements.

Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate costs of claims reported at the end of the reporting period and for the expected ultimate costs of claims incurred but not reported ("IBNR") at the end of the reporting period.

It may take a significant period of time before the ultimate claims costs can be established with some certainty and for some types of policies, IBNR claims represent a significant portion of the insurance contract liabilities. The ultimate cost of the outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that the Group's and the Company's past claim development experience can be used to project future claims development pattern, hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and the claim numbers based on the observed development of preceding years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect the future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additionally, certain qualitative judgment is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all uncertainties involved.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Other revenue recognition

Interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and the rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

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 the profit or loss.

(p) Foreign currency transactions

Items included in the financial statements of the Group and 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 Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

Foreign currency transactions in the Group and the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated at the rates of exchange ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss.

(q) Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Group and the Company operate and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amount 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 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 taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantially enacted by the date of the statement of financial position are used to determine deferred tax and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but disclose 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 Group and 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 Group and Company. The Group and the Company do not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(s) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(t) Leases

Accounting policies applied from 1 January 2019

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

Contracts may contain both lease and non-lease components. The Group and the Company allocate 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 Group and 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.

Lease term

In determining the lease term, the Group and the Company consider 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 reasonable certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are 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 re-measurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

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 Group and the Company are 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 re-measurement of the lease liabilities.

The Group and the Company revalue land and building (presented as part of property, plant and equipment) that they own based on periodic valuation of at least once in every 5 years by external independent valuers, less subsequent depreciation and impairment losses.

The Group and Company present ROU assets under property, plant and equipment in the statement of financial position.

Lease 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 payment (including in substance fixed payments), less any lease incentive receivable; and
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise 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 Group and the Company, the lessee's incremental borrowing 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 liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

The Group and the Company presents the lease liabilities under other payable in the statement of financial position. Interest expense on the lease liability is presented within finance costs in the income statement.

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 office equipment. Payment associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

Accounting policies on lessee accounting applied until 31 December 2018

Finance leases

Until 31 December 2018, leases of property, plant and equipment where the Group and the Company have substantially all the risks and rewards of ownership are classified as finance leases.

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.

Initial direct costs incurred by the Group and the Company in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(u) Provisions

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

(v) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents consist of cash in hand, deposits held at call with financial institutions 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial instruments

Description

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.

Recognition method

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy note associated with each item.

Fair value estimation

The Group's and the Company's basis of estimation of fair values for financial instruments is as follows:

- the fair values of Malaysian Government Securities are based on the indicative market prices;
- the fair values of Cagamas papers and unquoted corporate debt securities are based on the indicative market yield obtained from fund managers;
- the fair values of quoted equity securities and unit trusts are based on quoted market prices; and
- the carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are expected to have a material impact to the Group's and the Company's results and financial positions are tested for sensitivity to changes in the underlying parameters. 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 year are outlined below.

(i) Estimated impairment of goodwill

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed annually by the Group and the Company according to their accounting policies by comparing the recoverable amounts of the CGUs with the carrying amount of net assets allocated to the CGU, including the attributable goodwill.

The recoverable amounts of the CGUs were determined based on the value-in-use calculations. The calculations require the use of estimates. Refer to Note 5 to the financial statements on key assumptions used in the calculations for the CGUs.

(ii) Claims liabilities

The value of claims liabilities for each class of business is estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment, and includes a provision of risk margin for adverse deviation ("PRAD") at a 75% confidence level as required by BNM. PRAD is a component of the value of the insurance liabilities that relates to the uncertainty inherent in the best estimate value of the claims liabilities. PRAD is also an additional component of the liability value aimed at ensuring that the value of the claims liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. The final selected estimates are based on a judgmental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term of settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain the actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iii) Lease liabilities

The incremental borrowing rate on lease payment was determined based on the commercial average lending rate. The Group and the Company applied 5.05% per annum as weighted average lessee's incremental borrowing rate to the lease liabilities, which is the commercial average lending rate.

In determining the lease term, management 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 terminated).

(b) Critical judgements in applying the Group's and the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Group and the Company.

There were no critical judgements applied in the Group's and Company's accounting policies.

4 PROPERTY, PLANT AND EQUIPMENT

The Group's and the Company's property, plant and equipment comprise owned and leased assets

	Group / Company		
	2019 RM'000	Restated 1.1.2019 RM'000	2018 RM'000
Property, plant and equipment owned	9,626	10,295*	17,609
Right-of-use ("ROU") assets	16,206	21,675	-
	25,832	31,970	17,609

*The leasehold land and building have been transferred to Right-of-use ('ROU") assets upon adoption of MFRS 16 effective 1 January 2019.

Property, plant and equipment owned

	Leasehold land and building RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Group / Company					
Cost					
At 31 December 2018	9,000	11,107	2,645	39,966	62,718
Effects of adoption of MFRS 16 (Note 35)	(9,000)	-	-	-	(9,000)
At 1 January 2019	-	11,107	2,645	39,966	53,718
Additions	-	242	18	5,075	5,335
Disposals	-	-	(21)	(758)	(779)
Write off	-	(5)	-	(148)	(153)
At 31 December 2019	-	11,344	2,642	44,135	58,121
Accumulated depreciation					
At 31 December 2018	1,686	10,226	923	32,274	45,109
Effect of adoption of MFRS 16 (Note 35)	(1,686)	-	-	-	(1,686)
At 1 January 2019	-	10,226	923	32,274	43,423
Charge for the year	-	418	481	5,088	5,987
Disposals	-	-	(21)	(755)	(776)
Write off	-	(5)	-	(134)	(139)
At 31 December 2019	-	10,639	1,383	36,473	48,495

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment owned (continued)

	Leasehold land and building RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Net book value					
At 31 December 2018	7,314	881	1,722	7,692	17,609
Effect of adoption of MFRS 16 (Note 35)	(7,314)	-	-	-	(7,314)
At 1 January 2019	-	881	1,722	7,692	10,295
At 31 December 2019	-	705	1,259	7,662	9,626
Cost					
At 1 January 2018	9,000	11,034	2,745	41,245	64,024
Addition	-	115	997	872	1,984
Disposals	-	-	(1,097)	(19)	(1,116)
Write off	-	(42)	-	(2,132)	(2,174)
At 31 December 2018	9,000	11,107	2,645	39,966	62,718
Accumulated depreciation					
At 1 January 2018	1,442	8,272	1,250	27,581	38,545
Charge for the year	244	1,996	567	5,937	8,744
Disposals	-	-	(894)	(9)	(903)
Write off	-	(42)	-	(1,235)	(1,277)
At 31 December 2018	1,686	10,226	923	32,274	45,109
Net book value					
At 31 December 2018	7,314	881	1,722	7,692	17,609

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use ("ROU") assets

	Leasehold land and building RM'000	Properties RM'000	Total RM'000
Valuation/Cost			
At 31 December 2018	-	-	-
Effects of adoption of MFRS 16 (Note 35)	9,000	21,450	30,450
At 1 January 2019	9,000	21,450	30,450
Additions	-	1,064	1,064
Disposal	-	-	-
At 31 December 2019	9,000	22,514	31,514
Accumulated Depreciation			
At 31 December 2018	-	-	-
Effects of adoption of MFRS 16 (Note 35)	1,686	7,089	8,775
At 1 January 2019	1,686	7,089	8,775
Charge for the year	243	6,290	6,533
Disposal	-	-	-
At 31 December 2019	1,929	13,379	15,308
Net book value			
At 31 December 2018/1 January 2019	7,314	14,361	21,675
At 31 December 2019	7,071	9,135	16,206

	Group/Company 2019 RM'000	2018 RM'000
Interest expense	559	-
Total cash outflow for leases	5,995	-

The Group and the Company leases various offices and premises. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options.

Extension and termination options are included in some of the properties leases. These term are used to maximise operational flexibility in terms of managing contracts.

In cases in which the Company is not reasonably certain to exercise an optional extended lease term, payment associated with the optional period are not included within lease liabilities.

5 INTANGIBLE ASSETS

	Group / Company	
	2019	2018
	RM'000	RM'000
Cost:		
At 1 January / 31 December	179,943	179,943

Goodwill of the Group and Company arose from the business acquisitions of Amanah General Insurance (M) Bhd (“AGIB”), Asia Insurance (M) Bhd (“AIMB”) and MUI Continental Insurance Berhad (“MUI”) in 2002, 2007 and 2012 respectively. As at 31 December 2019, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was remained as RM13,666,666 (2018: RM13,666,666), RM13,263,065 (2018: RM13,263,065) and RM153,013,485 (2018: RM153,013,485) respectively.

Goodwill has been allocated to the cash generating unit, being the combined general insurance business as a whole. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period for 2018 to 2020, determined by budgeted profitability based on management’s past performance and management’s expectation of market developments. Cash flows beyond the three-year period are extrapolated using estimated perpetual growth rates.

The key assumptions used in the value-in-use calculation are as follows:

(a) Average premium growth rate of 5.7% (2018:6.5%) per annum have been projected on the basis of management’s expectations of market developments taking into account the business plan which reflect future expansion plans and synergies arising from integration of the business acquired with existing business of the Company. The weighted average growth rates are consistent with the forecasts included in industry reports, adjusted with the trends and expectations of the Company’s branches.

(b) Loss ratios of 61% (2018: 60%) per annum have been projected after taking into account management’s strategy for premium growth as well as past developments with respect to loss development patterns. The loss ratios are expected to remain at the existing levels.

(c) A discount rate of 10% (2018: 10%) used is pre-tax and reflects the general insurance industry’s overall weighted average cost of capital.

(d) Terminal value is estimated based on perpetual margin growth rate of 5% (2018: 5%) per annum.

The recoverable amount of the CGU is estimated to be RM1,547,000,000 (2018: RM1,979,000,000).

5 INTANGIBLE ASSETS (CONTINUED)

The Management has performed a sensitivity analysis on the key assumptions and believes that reasonably possible changes in the two key assumptions below could cause the recoverable amount to equal its carrying amount. The Management has not identified any instances for reasonably possible changes in the other key assumptions to cause the recoverable amount of the CGU to be lower than its carrying amount.

	2019		2018	
	From	To	From	To
	%	%	%	%
Loss ratio	61.0	63.9	60.0	65.0
Perpetual margin growth rate	5.0	2.4	5.0	1.1

6 INVESTMENTS

The Group's and the Company's financial investments are summarised by categories as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")	1,656,128	1,645,935	1,675,858	1,685,632
Loans and receivables ("LAR") (Note 10)	427,618	387,820	406,550	347,817
	2,083,746	2,033,755	2,082,408	2,033,449

Current:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
AFS	73,650	55,041	138	1,423
LAR	368,548	324,241	347,480	284,238
	442,198	379,282	347,618	285,661

Non current:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
AFS	1,582,478	1,590,894	1,675,720	1,684,209
LAR	59,070	63,579	59,070	63,579
	1,641,548	1,654,473	1,734,790	1,747,788

6 INVESTMENTS (CONTINUED)

(a) Available-for-sale ("AFS")

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fair value				
Malaysian Government Securities	121,419	137,658	-	-
Government Investment Issues	113,743	73,321	-	-
Corporate debt securities:				
Unquoted	1,163,688	1,133,470	-	-
	1,398,850	1,344,449	-	-
Unit trusts	239,940	283,599	239,940	283,599
Controlled structured entities (Note 7)	-	-	1,435,780	1,400,610
	1,638,790	1,628,048	1,675,720	1,684,209
Accrued interest income				
Malaysian Government Securities	1,524	1,761	-	-
Government Investment Issues	1,531	1,266	-	-
Corporate debt securities:				
Unquoted	14,145	13,437	-	-
	17,200	16,464	-	-
Accrued dividend income				
Unit trusts	138	1,423	138	1,423
	1,656,128	1,645,935	1,675,858	1,685,632

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial assets

Group	AFS RM'000	Total RM'000
At 1 January 2018	1,611,536	1,611,536
Purchases	648,614	648,614
Disposals	(618,596)	(618,596)
Fair value gains recorded in:		
Other comprehensive income	5,714	5,714
Movement in investment income due and accrued	(1,333)	(1,333)
At 31 December 2018	1,645,935	1,645,935
At 1 January 2019	1,645,935	1,645,935
Purchases	467,779	467,779
Disposals	(488,759)	(488,759)
Fair value gains recorded in:		
Other comprehensive income	34,108	34,108
Movement in investment income due and accrued	(2,935)	(2,935)
At 31 December 2019	1,656,128	1,656,128

Company	AFS RM'000	Total RM'000
At 1 January 2018	1,655,510	1,655,510
Purchases	290,725	290,725
Disposals	(271,284)	(271,284)
Fair value gains recorded in:		
Other comprehensive income	9,258	9,258
Movement in investment income due and accrued	1,423	1,423
At 31 December 2018	1,685,632	1,685,632
At 1 January 2019	1,685,632	1,685,632
Purchases	73,728	73,728
Disposals	(122,241)	(122,241)
Fair value gains recorded in:		
Other comprehensive income	40,024	40,024
Movement in investment income due and accrued	(1,285)	(1,285)
At 31 December 2019	1,675,858	1,675,858

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets

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

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2019			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	-	122,943	122,943
- Government Investment Issues	-	115,274	115,274
- Corporate debt securities	-	1,177,833	1,177,833
- Unit trusts	240,078	-	240,078
	240,078	1,416,050	1,656,128
31 December 2018			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	-	139,419	139,419
- Government Investment Issues	-	74,587	74,587
- Corporate debt securities	-	1,146,907	1,146,907
- Unit trusts	285,022	-	285,022
	285,022	1,360,913	1,645,935

Company	Level 1 RM'000
31 December 2019	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	240,078
- Controlled structured entities	1,435,780
	1,675,858
31 December 2018	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	285,022
- Controlled structured entities	1,400,610
	1,685,632

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets (continued)

There were no investments held by the Group and the Company that were classified under Level 3 as at 31 December 2019 (2018: Nil).

Level 1

Included in the quoted price category are financial instruments that 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. These are considered as Level 1 valuation basis.

Level 2

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions 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, and considered as Level 2 valuation basis.

Level 3

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private non quoted securities. As observables prices are not available for those securities, valuation techniques are used to derive the fair value. There were no investments valued using this basis during the year.

There were no transfers of financial assets between levels during the year.

7 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM1,435,780,345 (2018: RM1,400,610,125) as disclosed in Note 6 to the financial statements as investment in structured entities ("investee funds"). The Company invests in the investee funds whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The investee funds are managed by Opus Asset Management Sdn Bhd and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The Company holds 100% of Opus Income Fund, 100% of Opus Specific Income Fund and 100% of Opus Low Risk Asset Fund (2018: 100% of Opus Income Fund, 100% of Opus Specific Income Fund and 100% of Opus Low Risk Asset Fund). All funds were established in Malaysia and the Company has control over these investee funds. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

7 CONTROLLED STRUCTURED ENTITIES (CONTINUED)

All funds are audited by PricewaterhouseCoopers PLT.

These investee funds are classified as available-for-sale investments and the change in fair value of each investee fund is included in the statement of other comprehensive income in the Company's separate financial statements.

The Company's exposure to investments in the investee funds is disclosed below.

	2019 RM	2018 RM
Number of wholesale unit trust fund	3	3
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund	1.0609	1.0317
Opus Specific Income Fund	1.0568	1.0311
Opus Low Risk Asset Fund	1.0488	1.0188
Fair value of underlying net assets:		
Corporate bonds	1,416,050,238	1,360,912,750
Deposits with licensed financial institutions	21,068,489	40,003,057
Cash equivalents	33,962	20,111
Payables	(1,372,344)	(325,793)
	1,435,780,345	1,400,610,125
Total fair value gain incurred for the financial year	40,008,617	9,172,203

The Company's maximum exposure to loss from its interests in the investee funds is equal to the fair value of its investment in the investee funds.

As the Company has control over these investee funds which are considered controlled structured entities, these structured entities are consolidated at Group level. The underlying assets of these structured entities have taken duly consolidated as shown in Note 6 to the financial statements.

8 REINSURANCE ASSETS

	Group / Company	
	2019 RM'000	2018 RM'000
Reinsurance of insurance contracts (Note 14)	255,214	242,566
Allowance for impairment (Note 31)	(4,472)	(1,746)
	250,742	240,820

9 INSURANCE RECEIVABLES

	Group / Company	
	2019	2018
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	85,378	92,193
Due from reinsurers and cedants	5,484	15,708
	90,862	107,901
Allowance for impairment (Note 31)	(4,569)	(9,469)
	86,293	98,432

The Group and the Company offset the gross amount of required insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 32 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2018: Nil).

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	360,458	316,289	339,392	276,389
Staff loans	1,233	1,638	1,233	1,638
Allowance for impairment	(66)	(81)	(66)	(81)
	1,167	1,557	1,167	1,557
	361,625	317,846	340,559	277,946
Interest income receivable				
Fixed and call deposits with licensed financial institutions	3,834	2,489	3,832	2,386
Other receivables				
Knock-for-knock claims recoveries	380	1,724	380	1,724
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	48,890	53,098	48,890	53,098
Other receivables	9,908	10,634	9,908	10,634
Prepayments	3,026	2,074	3,026	2,074
	62,204	67,530	62,204	67,530
Allowance for impairment	(45)	(45)	(45)	(45)
	62,159	67,485	62,159	67,485
	427,618	387,820	406,550	347,817
Fair value				
Fixed and call deposits with licensed financial institutions	364,292	318,778	343,224	278,775
Staff loans [net of impairment allowance of RM65,988 (2018: RM81,127)]	1,167	1,557	1,167	1,557
Other receivables	62,159	67,485	62,159	67,485
	427,618	387,820	406,550	347,817

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES) (CONTINUED)

The fair values of deposits approximate their carrying amounts due to their relatively short maturity period.

The fair values of staff loans are established by comparing current market interest rates for similar financial instruments to the rates offered when the loans were first recognised together with appropriate market credits adjustments.

The fair values of other receivables approximate their carrying amount.

* MMIP as at 31 December 2019 is a net receivable of RM15,568,902 (2018: RM13,747,777) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities included in Note 14 to the financial statements.

11 SHARE CAPITAL

	Group / Company	
	2019	2018
	RM'000	RM'000
Ordinary share issued and fully paid:		
At 1 January / 31 December	403,471	403,471

12 RETAINED EARNINGS

Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia'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 dividends would impair its Capital Adequacy Ratio position to below its internal target.

13 OTHER RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revaluation reserves				
At 1 January/31 December	4,916	4,916	4,916	4,916
Available-for-sale reserves				
At 1 January	(4,358)	(7,851)	25,751	18,714
Fair value gain arising during the year	29,914	1,330	29,631	7,465
Transfer to Income Statement	(5,412)	2,163	787	(428)
At 31 December	20,144	(4,358)	56,169	25,751
Total	25,060	558	61,085	30,667

14 INSURANCE CONTRACT LIABILITIES

Group / Company	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Provision for outstanding claims	589,091	(129,187)	459,904	609,756	(125,852)	483,904
Provision for incurred but not reported claims ("IBNR")	248,478	(88,406)	160,072	244,230	(83,779)	160,451
Claims liabilities (i)	837,569	(217,593)	619,976	853,986	(209,631)	644,355
Premium liabilities (ii)	403,405	(37,621)	365,784	405,715	(32,935)	372,780
	1,240,974	(255,214)	985,760	1,259,701	(242,566)	1,017,135

(i) Claims liabilities

	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
At 1 January	853,986	(209,631)	644,355	901,483	(234,195)	667,288
Claims incurred in the current accident year	506,717	(79,210)	427,507	560,890	(51,729)	509,161
Other movements in claims incurred in prior accident years	(9,531)	11,950	2,419	882	15,998	16,880
Movement of IBNR at 75% confidence level	4,248	(4,627)	(379)	17,839	(21,201)	(3,362)
Claims paid during the year	(517,851)	63,925	(453,926)	(627,108)	81,496	(545,612)
At 31 December	837,569	(217,593)	619,976	853,986	(209,631)	644,355

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group / Company	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
(ii) Premium liabilities						
At 1 January	405,715	(32,935)	372,780	480,864	(38,948)	441,916
Premiums written in the year (Note 19)	872,016	(166,655)	705,361	920,008	(181,102)	738,906
Premiums earned during the year (Note 19)	(874,326)	161,969	(712,357)	(995,157)	187,115	(808,042)
At 31 December	403,405	(37,621)	365,784	405,715	(32,935)	372,780

15 DEFERRED TAXATION

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.

The deferred tax balances of the Group and the Company after appropriate offsetting are as follows:

	Group / Company	
	2019	2018
	RM'000	RM'000
Deferred tax liabilities	(8,353)	(3,353)
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	1,097	2,272
- Reinsurance assets	1,073	419
- Premium liabilities	67	-
- Other receivables	26	18
- Other payables	7,779	4,899
	10,042	7,608
Offsetting	(10,042)	(7,608)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	657	2,648
- Premium liabilities	-	181
- Financial assets at AFS	17,738	8,132
	18,395	10,961
Offsetting	(10,042)	(7,608)
Deferred tax liabilities (after offsetting)	8,353	3,353

15 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax balances during the year are as follows:

	Group / Company	
	2019	2018
	RM'000	RM'000
At 1 January	(3,353)	(6,253)
Credited to income statement (Note 25)		
- Insurance receivables	(1,176)	(270)
- Reinsurance assets	655	(260)
- Other receivables	8	15
- Other payables	2,880	3,702
- Property, plant and equipment	1,991	1,606
- Premium liabilities	248	328
	4,606	5,121
Charged to equity:		
- Financial assets at AFS	(9,606)	(2,221)
Total movement for the year	(5,000)	2,900
At 31 December	(8,353)	(3,353)

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2019	2018
	RM'000	RM'000
Deposits received from reinsurers	11,754	6,644

The carrying amounts disclosed above approximate their fair value at the date of statement of financial position.

All amounts are payable within one year.

17 INSURANCE PAYABLES

	Group / Company	
	2019	2018
	RM'000	RM'000
Due to agents and intermediaries	21,127	18,976
Due to reinsurers and cedants	32,207	45,328
	53,334	64,304

The Group and the Company offset the gross amount of required insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 32 to the financial statements.

There are no financial instruments that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2018: Nil).

18 OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Lease liabilities	8,482	-	8,482	-
Asset restoration	3,060	-	3,060	-
Cash collaterals held on contract bonds	1,997	2,470	1,997	2,470
Payroll liabilities	28,764	29,422	28,764	29,422
Service tax payable	8,103	7,725	8,103	7,725
Deposit received from litigant	14,880	14,880	14,880	14,880
Other payables and accrued expenses	24,944	29,289	23,572	28,963
	90,230	83,786	88,858	83,460

The carrying amounts disclosed above approximate their fair values at the date of statement of financial position.

Lease liabilities and asset restoration is recognised upon adoption of MFRS 16, as disclosed in Note 35 to the financial statements.

All amounts are payable within one year except lease liabilities as shown below:

	Group/Company	
	2019	2018
	RM'000	RM'000
Lease liabilities		
Current	4,065	-
Non-current	4,417	-
	8,482	-

19 NET EARNED PREMIUMS

		Group / Company	
		2019	2018
		RM'000	RM'000
(a)	Gross earned premiums		
	Insurance contracts (Note 14)	872,016	920,008
	Change in gross premium liabilities	2,310	75,149
		874,326	995,157
(b)	Premiums ceded to reinsurers		
	Insurance contracts (Note 14)	(166,655)	(181,102)
	Change in reinsurance premium liabilities	4,686	(6,013)
		(161,969)	(187,115)
	Net earned premiums (Note 14)	712,357	808,042

20 INVESTMENT INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
AFS financial assets:				
Interest income	60,994	61,057	-	-
Dividend income				
- Controlled structured entities	-	-	59,325	53,050
- Unit trusts	9,808	10,444	9,808	10,444
LAR financial assets – interest income	11,488	11,210	10,422	9,959
	82,290	82,711	79,555	73,453

21 REALISED GAIN/(LOSS)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised gain/(loss)	20	(13)	20	(13)
AFS financial assets:				
Realised gain/(loss):				
Corporate debt securities – quoted in Malaysia	6,361	(2,429)	-	-
Unit trusts	(1,196)	403	(1,035)	564
	5,185	(2,039)	(1,015)	551

22 OTHER OPERATING INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Agency fees received	973	982	973	982
Other income	4,839	1,819	4,836	1,819
	5,812	2,801	5,809	2,801

23 MANAGEMENT EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 23(a))	113,787	114,609	113,787	114,609
Directors' remuneration (Note 23(b))	349	373	349	373
Auditors' remuneration:				
- statutory audit	304	304	304	304
- other services	253	158	253	158
Depreciation of property, plant and equipment	5,987	8,744	5,987	8,744
Depreciation of ROU assets	6,533	-	6,533	-
Allowance for/(write back of) impairment:				
- Reinsurance assets	2,726	(1,084)	2,726	(1,084)
- Insurance receivables	(4,900)	(1,125)	(4,900)	(1,125)
- Loans and receivables	(15)	115	(15)	115
Bad debts written off	421	1,767	421	1,767
Rental of office premises	2,292	7,984	2,292	7,984
Entertainment	17,709	16,639	17,709	16,639
Training expenses	3,168	2,611	3,168	2,611
Management fees*	4,323	4,813	4,323	4,813
Repairs and maintenance	1,807	1,822	1,807	1,822
Motor vehicle expenses	3,667	3,766	3,667	3,766
Travelling	955	831	955	831
Advertising	2,074	516	2,074	516
Printing and stationery	4,621	4,638	4,621	4,638
Postage and telephone	1,366	1,611	1,366	1,611
Electronic data processing expenses	12,868	12,297	12,868	12,297
Bank collection charges	6,360	6,981	6,360	6,981
Other expenses	11,251	11,328	8,229	8,204
	197,906	199,698	194,884	196,574

* Included in management fees are management fees payable/paid to related parties of RM1,708,901 (2018: RM2,702,005) as disclosed in Note 29 (a) to the financial statements.

23 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2019	2018
	RM'000	RM'000
Staff salary and bonus	95,393	95,500
Social security contributions	710	718
Contributions to Employees' Provident Fund	13,167	13,375
Other benefits	4,517	5,016
	113,787	114,609

(b) Directors' remuneration

The details of remuneration receivable by Directors during the year are as follows:

	Group / Company	
	2019	2018
	RM'000	RM'000
Executive:		
Fee	33	58
Other benefits	1	2
	34	60
Non-Executive:		
Fees	300	298
Other benefits	15	15
	315	313
	349	373
Represented by:		
Directors' fees	333	356
Amount included in employee benefits expense	16	17

The estimated cash value of benefits-in-kind provided to the Directors of the Group and the Company amounted to RMNil (2018: RMNil).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Group and the Company included in employee benefits expense during the year amounted to RM1,729,494 (2018: RM1,232,939).

The number of executive and non-executive Directors whose total remuneration received during the year falls within the following band is:

	Number of Directors	
Group / Company	2019	2018
Executive Directors		
Below RM50,000	1	2
Non-Executive Directors		
Below RM50,000	-	-

23 MANAGEMENT EXPENSES (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

2019	Fee RM'000	Salaries RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer						
- Ng Hang Ming	-	1,080	389	222	38	1,729
Executive Directors						
- Shinkichi Miki	33	-	-	1	-	34
Non-Executive Directors						
- Dato' Zainal Abidin Bin Putih	110	-	-	5	-	115
- Yeoh Chong Keng	90	-	-	5	-	95
- Yip Jian Lee	100	-	-	5	-	105
	333	1,080	389	238	38	2,078
2018						
Chief Executive Officer						
- Ng Hang Ming	-	1,039	-	157	37	1,233
Executive Directors						
- Shinkichi Miki	28	-	-	1	-	29
- Ichiro Maeda	30	-	-	1	-	31
Non-Executive Directors						
- Dato' Zainal Abidin Bin Putih	108	-	-	5	-	113
- Yeoh Chong Keng	90	-	-	5	-	95
- Yip Jian Lee	100	-	-	5	-	105
	356	1,039	-	174	37	1,606

24 FINANCE COSTS

	Group / Company	
	2019	2018
	RM'000	RM'000
Interest on lease liabilities	559	-

25 TAXATION

	Group / Company	
	2019	2018
	RM'000	RM'000
Current income tax:		
Current financial year	12,038	16,102
Overprovision in prior financial years	(2,343)	(1,679)
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	(4,606)	(5,121)
	5,089	9,302

The income taxes for the Group and the Company are calculated based on the tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	122,607	107,431	116,691	103,887
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	29,426	25,783	28,006	24,933
Income not subject to tax	(18,599)	(16,785)	(17,179)	(15,935)
Expenses not deductible for tax purposes	1,681	1,983	1,681	1,983
Recognition of previously unrecognised deferred tax	(5,076)	-	(5,076)	-
Overprovision in prior years	(2,343)	(1,679)	(2,343)	(1,679)
Tax expense for the year	5,089	9,302	5,089	9,302

26 BASIC EARNINGS PER SHARE (SEN)

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Group and the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders	117,518	98,129	111,602	94,585
Weighted average number of shares in issue	403,471	403,471	403,471	403,471
Basic earnings per share (sen)	29	24	28	23

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

No diluted earnings per share is disclosed in these financial statements as there are no dilutive potential ordinary shares.

27 DIVIDENDS

	Group / Company	
	2019	2018
	RM'000	RM'000
Final single-tier dividend	66,210	-
Dividend rate (%)	16.41	-
Dividend per share (sen)	0.1641	-

The Directors have not recommended any dividend to be paid for the financial year under review.

28 CAPITAL COMMITMENTS

	Group / Company	
	2019	2018
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	-	313
Approved but not contracted for:		
Renovation	11,000	-
	11,000	313

29 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and the Company as at 31 December 2019, are as follows:

Related parties	Country of incorporation	Relationship
Tokio Marine Holdings Inc. ("TMH")	Japan	Ultimate holding corporation
Tokio Marine & Nichido Fire Insurance Co. Ltd. ("TMNF")	Japan	Penultimate holding corporation
Tokio Marine Asia Pte. Ltd. ("TM Asia")	Singapore	Immediate holding corporation
Tokio Marine Insurance Singapore Ltd	Singapore	Related corporation

(a) In the normal course of business, the Group and the Company undertake at agreed terms and prices, various transactions with their holding corporation and other corporations deemed related parties by virtue of being subsidiaries of its holding corporations.

The significant related party transactions during the year and balances at the end of the year between the Group and the Company, and their related parties are set out below:

Significant related party transactions

Income/(Expenses)	Group / Company	
	2019	2018
	RM'000	RM'000
Transactions with immediate holding corporation:		
Expenses recharge*	(1,127)	(2,366)
Risk management fees paid*	(451)	(306)
Directors' remuneration	(34)	(60)
Expatriates remuneration	(738)	(738)
Recruitment and placement fee	(856)	-
Others	(607)	(503)

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) The significant related party transactions during the year and balances at the end of the year between the Group and the Company, and their related parties are set out below (continued):

Significant related party transactions (continued)

Income/(Expenses)	Group / Company	
	2019	2018
	RM'000	RM'000
Transactions with penultimate holding corporation:		
Premium ceded	(23,512)	(24,655)
Claims recoveries and paid	10,992	5,893
Commission received	4,546	4,733
Agency fees received	890	879
Expatriates remuneration	(2,915)	(2,761)
Interest expenses on treaty withheld	(9)	(6)

Transactions with other related corporations:

2019	Asia	Europe	North America	Total
	RM'000	RM'000	RM'000	RM'000
Premium ceded	(16,071)	(161)	-	(16,232)
Claims recoveries and paid	4,207	-	-	4,207
Commission received	3,394	14	-	3,408
Agency fees received	77	-	5	82
Rental paid	(541)	-	-	(541)
Risk management fees paid*	(106)	-	-	(106)
Others	(148)	-	(48)	(196)
Interest expenses on treaty withheld	(77)	-	-	(77)
Expatriates remuneration	(551)	-	-	(551)

2018	Asia	Europe	North America	Total
	RM'000	RM'000	RM'000	RM'000
Premium ceded	(12,398)	(127)	-	(12,525)
Claims recoveries and paid	4,170	-	-	4,170
Commission received	2,885	10	-	2,895
Agency fees received	93	-	10	103
Rental paid	(455)	-	-	(455)
Risk management fees paid*	(89)	-	-	(89)
Others	(196)	-	-	(196)
Interest expenses on treaty withheld	(68)	-	-	(68)
Expatriates remuneration	(450)	-	-	(450)

*Included are management fees paid/payable to related parties as disclosed in Note 23.

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) The significant related party transactions during the year and balances at the end of the year between the Group and the Company, and their related parties are set out below (continued):

	Group / Company	
	2019	2018
	RM'000	RM'000
Insurance receivables		
Claim recoveries due from related corporations	244	255
Insurance payables		
Reinsurance premiums due to penultimate holding corporation	(13,647)	(4,630)
Reinsurance premiums due to related corporations	(6,284)	(5,104)
Other payable due to immediate holding corporation	(2,529)	(3,176)
Other receivable/(payable) due to related corporation	1	(83)

(i) The sale of insurance contracts was made according to the published prices and conditions offered to the major customers of the Company.

(b) Key management personnel's remuneration

The remuneration of key management during the year are as follows:

	Group / Company	
	2019	2018
	RM'000	RM'000
Salary	7,086	6,694
Bonus	1,657	656
Defined contribution plan	1,081	865
Other benefits	1,116	1,073
	10,940	9,288

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Group and the Company include the Chief Executive Officer, Deputy Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Group and the Company.

The estimated cash value of benefits-in-kind provided to the Directors of the Group and the Company amounted to RMNil (2018: RMNil).

30 INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the unpredictable nature of claims, especially in terms of frequency, severity and the risk of change in economic and legal conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer receiving too little or insufficient premium for the risks it underwrites and insufficient liquidity to pay claims, which are higher than expected. The Group and the Company seek to minimise insurance risks with a balanced mix of business portfolio and by strictly observing the underwriting guidelines and limits, prudent estimation of claims reserving and high standard of security vetting of all its reinsurers.

The table below sets out the concentration of general insurance contracts claims liabilities by class of business:

	31 December 2019			31 December 2018		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	523,849	(44,635)	479,214	564,230	(39,254)	524,976
Fire	117,239	(82,597)	34,642	88,354	(60,227)	28,127
Marine, Aviation and Transit	39,229	(14,532)	24,697	35,300	(14,600)	20,700
Miscellaneous	157,252	(75,829)	81,423	166,102	(95,550)	70,552
	837,569	(217,593)	619,976	853,986	(209,631)	644,355

30 INSURANCE RISK (CONTINUED)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's and Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of initial expected loss ratio ("IELR") in the last accident year, first incurred development factor, claim handling expenses, provision for adverse deviation, unexpired risk reserve ("URR") loss ratio and maintenance expense ratio.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2019					
Claim Liability					
IELR in the last	+10%	51,971	40,554	(40,554)	(30,821)
accident year	-10%	(51,971)	(40,528)	40,528	30,801
First incurred	+10%	14,700	14,894	(14,894)	(11,320)
development factor	-10%	(14,700)	(14,880)	14,880	11,309
Claim handling	+1%	5,765	5,691	(5,691)	(4,325)
expenses	-1%	(5,765)	(5,691)	5,691	4,325
Provision for	+5%	29,746	22,382	(22,382)	(17,010)
Adverse Deviation	-5%	(29,746)	(22,382)	22,382	17,010

30 INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2019					
Premium Liability					
URR Loss Ratio	+10%	36,597	31,675	(31,675)	(24,073)
	-10%	(24,773)	(31,675)	31,675	24,073
Maintenance	+3%	13,166	12,741	(12,741)	(9,683)
Expense Ratio	-3%	(13,166)	(12,741)	12,741	9,683
Provision for	+5%	14,114	13,222	(13,222)	(10,048)
Adverse Deviation	-5%	(14,114)	(13,222)	13,222	10,048
31 December 2018					
Claim Liability					
IELR in the last	+10%	58,231	47,447	(47,447)	(36,060)
accident year	-10%	(58,096)	(47,312)	47,312	35,957
First incurred	+10%	17,456	17,029	(17,029)	(12,942)
development factor	-10%	(17,440)	(17,014)	17,014	12,930
Claim handling	+1%	5,988	5,932	(5,932)	(4,508)
expenses	-1%	(5,988)	(5,932)	5,932	4,508
Provision for	+5%	30,268	23,141	(23,141)	(17,587)
Adverse Deviation	-5%	(30,268)	(23,141)	23,141	17,587
Premium Liability					
URR Loss Ratio	+10%	37,138	32,188	(32,188)	(24,463)
	-10%	(15,584)	(32,188)	32,188	24,463
Maintenance	+3%	13,514	13,117	(13,117)	(9,969)
Expense Ratio	-3%	(13,514)	(13,117)	13,117	9,969
Provision for	+5%	14,243	13,508	(13,508)	(10,266)
Adverse Deviation	-5%	(14,243)	(13,508)	13,508	10,266

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Group and the Company give consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

30 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2019:

Group / Company	Prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Accident year									
At end of accident year		614,352	712,405	777,482	700,637	814,626	655,991	587,431	
One year later		631,204	650,872	713,282	656,424	775,203	598,625		
Two years later		616,126	611,797	690,390	637,667	771,843			
Three years later		607,267	601,405	699,768	633,502				
Four years later		594,345	587,549	690,538					
Five years later		590,787	584,014						
Six years later		578,540							
Current estimate of cumulative claims incurred		578,540	584,014	690,538	633,502	771,843	598,625	587,431	4,444,493
At end of accident year		240,974	253,193	276,526	322,983	379,658	305,656	251,841	
One year later		450,282	469,620	586,525	518,943	608,006	457,665		
Two years later		516,099	539,083	632,978	567,346	670,140			
Three years later		537,427	556,417	652,166	588,332				
Four years later		560,740	565,800	665,292					
Five years later		564,911	568,784						
Six years later		573,949							
Current payments to-date		573,949	568,784	665,292	588,332	670,140	457,665	251,841	3,776,003
Direct and facultative inwards	10,106	4,591	15,230	25,246	45,170	101,703	140,960	335,590	678,596
Treaty Inwards									3,511
MMIP									30,996
		Best estimate of claim liabilities							713,103
		Claim handling expenses							17,809
		Fund PRAD at 75% Confidence Interval							106,657
		Gross general insurance claims liabilities							837,569

30 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2018:

Group / Company	Prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year									
At end of accident year		691,396	614,352	712,405	777,482	700,637	814,626	655,991	
One year later		630,129	631,204	650,872	713,282	656,424	775,203		
Two years later		612,212	616,126	611,797	690,390	637,667			
Three years later		608,974	607,267	601,405	699,768				
Four years later		601,177	594,345	587,549					
Five years later		593,777	590,787						
Six years later		585,399							
Current estimate of cumulative claims incurred		585,399	590,787	587,549	699,768	637,667	775,203	655,991	4,532,364
At end of accident year		223,573	240,974	253,193	276,526	322,983	379,658	305,656	
One year later		488,463	450,282	469,620	586,525	518,943	608,006		
Two years later		547,135	516,099	539,083	632,978	567,346			
Three years later		565,088	537,427	556,417	652,166				
Four years later		575,757	560,740	565,800					
Five years later		580,450	564,911						
Six years later		583,152							
Current payments to-date		583,152	564,911	565,800	652,166	567,346	608,006	305,656	3,847,037
Direct and facultative inwards	10,161	2,247	25,876	21,749	47,602	70,321	167,197	350,335	695,488
Treaty Inwards									3,413
MMIP									36,350
		Best estimate of claim liabilities							735,251
		Claim handling expenses							13,281
		Fund PRAD at 75% Confidence Interval							105,454
		Gross general insurance claims liabilities							853,986

30 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2019:

Group / Company	Prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Accident year									
At end of accident year		498,891	521,767	551,103	612,038	684,740	567,787	481,878	
One year later		478,019	501,450	545,923	594,500	668,677	538,261		
Two years later		471,779	487,616	531,029	581,096	661,317			
Three years later		465,929	481,593	528,782	576,520				
Four years later		461,606	475,430	523,195					
Five years later		457,319	472,565						
Six years later		452,845							
Current estimate of cumulative claims incurred		452,845	472,565	523,195	576,520	661,317	538,261	481,878	3,706,581
At end of accident year		216,314	234,572	250,395	307,481	353,509	289,635	232,048	
One year later		388,826	398,828	446,874	480,254	532,026	424,422		
Two years later		425,513	440,356	485,594	523,678	582,893			
Three years later		439,225	453,518	500,276	541,878				
Four years later		446,575	459,514	509,042					
Five years later		448,989	462,525						
Six years later		450,345							
Current payments to-date		450,345	462,525	509,042	541,878	582,893	424,422	232,048	3,203,153
Direct and facultative inward	1,878	2,500	10,040	14,153	34,642	78,424	113,839	249,830	505,306
Treaty Inwards									3,511
MMIP									30,996
		Best estimate of claim liabilities							539,813
		Claim handling expenses							17,809
		Fund PRAD at 75% Confidence Interval							62,354
		Net general insurance claims liabilities							619,976

30 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2018:

Group / Company	Prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year									
At end of accident year		481,635	498,891	521,767	551,103	612,038	684,740	567,787	
One year later		469,924	478,019	501,450	545,923	594,500	668,677		
Two years later		461,108	471,779	487,616	531,029	581,096			
Three years later		461,634	465,929	481,593	528,782				
Four years later		456,508	461,606	475,430					
Five years later		455,283	457,319						
Six years later		448,545							
Current estimate of cumulative claims incurred		448,545	457,319	475,430	528,782	581,096	668,677	567,787	3,727,636
At end of accident year		191,034	216,314	234,572	250,394	307,481	353,509	289,635	
One year later		377,333	388,826	398,828	446,874	480,254	532,027		
Two years later		419,781	425,513	440,356	485,594	523,678			
Three years later		434,301	439,225	453,518	500,276				
Four years later		441,851	446,575	459,514					
Five years later		444,849	448,989						
Six years later		446,928							
Current payments to-date		446,928	448,989	459,514	500,276	523,678	532,027	289,635	3,201,047
Direct and facultative inward	1,217	1,617	8,330	15,916	28,506	57,418	136,650	278,152	527,806
Treaty Inwards									3,413
MMIP									36,350
		Best estimate of claim liabilities							567,569
		Claim handling expenses							13,281
		Fund PRAD at 75% Confidence Interval							63,505
		Net general insurance claims liabilities							644,355

31 FINANCIAL RISK

The Group and the Company are exposed to financial risks including credit, interest rate, currency risks and market risk during the normal course of its business. The Group and the Company have, in place, established procedures and guidelines to monitor the risks on an on-going basis.

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions fail to perform as contracted. Management has a credit policy in place and the exposure to these credit risks is monitored consistently.

At the date of the statement of financial position, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group and the Company considers ratings of BBB and above as investment grades. Non-investment grades includes those investment with ratings below BBB, non-rated investment and non-investment items. Assets which are not rated by rating agencies are classified as non-rated.

The maximum exposure to credit risk for the components in the financial statements is shown below:

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
LAR (excluding insurance receivables)	10				
- Staff loans		1,167	1,557	1,167	1,557
- Fixed and call deposits		364,292	318,778	343,224	278,775
- Other receivables*		59,133	65,411	59,133	65,411
AFS financial assets	6(a)				
- Malaysian Government Securities		122,943	139,419	-	-
- Government Investment Issues		115,274	74,587	-	-
- Corporate debt securities		1,177,833	1,146,907	-	-
- Unit trusts		240,078	285,022	1,675,858	1,685,632
Reinsurance assets-claim liabilities		213,121	207,885	213,121	207,885
Insurance receivables	9	86,293	98,432	86,293	98,432
Cash and bank balances		25,906	22,552	25,872	22,532
		2,406,040	2,360,550	2,404,668	2,360,224

* Excluding prepayment

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties.

	Neither past-due nor impaired				
Group	Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019					
LAR					
- Staff loans	-	1,167	-	66	1,233
- Fixed and call deposits	364,292	-		-	364,292
- Other receivables	-	59,133	-	45	59,178
AFS financial assets					
- Malaysian Government Securities	-	122,943	-	-	122,943
- Government Investment Issues	-	115,274	-	-	115,274
- Corporate debt securities	723,023	454,810	-	-	1,177,833
- Unit trust funds	-	240,078	-	-	240,078
Reinsurance assets-claim liabilities	-	213,121	-	4,472	217,593
Insurance receivables	-	73,108	13,185	4,569	90,862
Cash and bank balances	-	25,906	-	-	25,906
Allowance for impairment	-	-		(9,152)	(9,152)
	1,087,315	1,305,540	13,185	-	2,406,040
31 December 2018					
LAR					
- Staff loans	-	1,557	-	81	1,638
- Fixed and call deposits	318,778	-	-	-	318,778
- Other receivables	-	65,411	-	45	65,456
AFS financial assets					
- Malaysian Government Securities	-	139,419	-	-	139,419
- Government Investment Issues	-	74,587	-	-	74,587
- Corporate debt securities	720,002	426,905	-	-	1,146,907
- Unit trust funds	-	285,022	-	-	285,022
Reinsurance assets-claim liabilities	-	207,885	-	1,746	209,631
Insurance receivables	-	83,107	15,325	9,469	107,901
Cash and bank balances	-	22,552	-	-	22,552
Allowance for impairment	-	-	-	(11,341)	(11,341)
	1,038,780	1,306,445	15,325	-	2,360,550

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. (continued)

	Neither past-due nor impaired				
Company	Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019					
LAR					
- Staff loans	-	1,167	-	66	1,233
- Fixed and call deposits	343,224	-	-	-	343,224
- Other receivables	-	59,133	-	45	59,178
AFS financial assets					
- Unit trust funds	723,023	952,835	-	-	1,675,858
Reinsurance assets-claim liabilities	-	213,121	-	4,472	217,593
Insurance receivables	-	73,108	13,185	4,569	90,862
Cash and bank balances	-	25,872	-	-	25,872
Allowance for impairment	-	-	-	(9,152)	(9,152)
	1,066,247	1,325,236	13,185	-	2,404,668
31 December 2018					
LAR					
- Staff loans	-	1,557	-	81	1,638
- Fixed and call deposits	278,775	-	-	-	278,775
- Other receivables	-	65,411	-	45	65,456
AFS financial assets					
- Unit trust funds	720,002	965,630	-	-	1,685,632
Reinsurance assets-claim liabilities	-	207,885	-	1,746	209,631
Insurance receivables	-	83,107	15,325	9,469	107,901
Cash and bank balances	-	22,532	-	-	22,532
Allowance for impairment	-	-	-	(11,341)	(11,341)
	998,777	1,346,122	15,325	-	2,360,224

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default experience. The unimpaired reinsurance assets – claim liabilities and insurance receivables without external credit rating are relating to agents and brokers with no defaults in the past.

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019						
LAR						
Staff loans	-	-	-	-	1,167	1,167
Fixed and call deposits	149,092	101,384	55,456	58,360	-	364,292
Other receivables	-	-	-	-	59,133	59,133
AFS financial assets						
Malaysian Government Securities	-	-	-	-	122,943	122,943
Government Investment Issues	-	-	-	-	115,274	115,274
Corporate debt securities	237,153	455,050	30,820	-	454,810	1,177,833
Unit trust funds	-	-	-	-	240,078	240,078
Reinsurance assets-claims liabilities	-	25,567	69,891	-	117,663	213,121
Insurance receivables	-	628	3,152	-	82,513	86,293
Cash and bank balances	21,320	3,464	1,066	-	56	25,906
	407,565	586,093	160,385	58,360	1,193,637	2,406,040

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018						
LAR						
Staff loans	-	-	-	-	1,557	1,557
Fixed and call deposits	120,727	152,683	-	45,368	-	318,778
Other receivables	-	-	-	-	65,411	65,411
AFS financial assets		-	-	-		
Malaysian Government Securities	-	-	-	-	139,419	139,419
Government Investment Issues	-	-	-	-	74,587	74,587
Corporate debt securities	218,111	487,680	14,211	-	426,905	1,146,907
Unit trust funds	-	-	-	-	285,022	285,022
Reinsurance assets-claims liabilities	-	31,322	83,660	-	92,903	207,885
Insurance receivables	-	5,445	9,141	-	83,846	98,432
Cash and bank balances	14,714	6,292	1,504	-	42	22,552
	353,552	683,422	108,516	45,368	1,169,692	2,360,550

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019						
LAR						
Staff loans	-	-	-	-	1,167	1,167
Fixed and call deposits	139,304	90,103	55,457	58,360	-	343,224
Other receivables	-	-	-	-	59,133	59,133
AFS financial assets						
Unit trust funds	-	-	-	-	1,675,858	1,675,858
Reinsurance assets-claims liabilities	-	25,567	69,891	-	117,663	213,121
Insurance receivables	-	628	3,152	-	82,513	86,293
Cash and bank balances	21,320	3,464	1,066	-	22	25,872
	160,624	119,762	129,566	58,360	1,936,356	2,404,668

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018						
LAR						
Staff loans	-	-	-	-	1,557	1,557
Fixed and call deposits	80,724	152,683	-	45,368	-	278,775
Other receivables	-	-	-	-	65,411	65,411
AFS financial assets						
Unit trust funds	-	-	-	-	1,685,632	1,685,632
Reinsurance assets-claims liabilities	-	31,322	83,660	-	92,903	207,885
Insurance receivables	-	5,445	9,141	-	83,846	98,432
Cash and bank balances	14,714	6,292	1,504	-	22	22,532
	95,438	195,742	94,305	45,368	1,929,371	2,360,224

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and Company's categorisation of counter-parties by RAM's credit rating.

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019						
Investment grade	386,245	556,434	86,276	58,360	-	1,087,315
Non-investment grade:						
Satisfactory	21,320	29,411	72,312	-	1,182,497	1,305,540
Past-due but not impaired	-	248	1,797	-	11,140	13,185
	407,565	586,093	160,385	58,360	1,193,637	2,406,040
31 December 2018						
Investment grade	338,838	640,363	14,211	45,368	-	1,038,780
Non-investment grade:						
Satisfactory	14,714	42,904	93,442	-	1,155,385	1,306,445
Past-due but not impaired	-	155	863	-	14,307	15,325
	353,552	683,422	108,516	45,368	1,169,692	2,360,550

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and the Company's categorisation of counter-parties by RAM's credit rating. (continued)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019						
Investment grade	139,304	90,103	55,457	58,360	723,023	1,066,247
Non-investment grade						
Satisfactory	21,320	29,411	72,312	-	1,202,193	1,325,236
Past-due but not impaired	-	248	1,797	-	11,140	13,185
	160,624	119,762	129,566	58,360	1,936,356	2,404,668
31 December 2018						
Investment grade	80,724	152,683	-	45,368	720,002	998,777
Non-investment grade						
Satisfactory	14,714	42,904	93,442	-	1,195,062	1,346,122
Past-due but not impaired	-	155	863	-	14,307	15,325
	95,438	195,742	94,305	45,368	1,929,371	2,360,224

It is the Group's and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

During the year, no credit exposure limits were exceeded.

The Group and the Company actively manage their product mix to ensure that there is no significant concentration of credit risk.

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

Group / Company	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
31 December 2019						
Insurance receivables (RM'000)	7,213	3,574	1,234	2,804	(1,640)	13,185
31 December 2018						
Insurance receivables (RM'000)	8,164	3,550	1,559	2,556	(504)	15,325

* Past-due but not impaired refers to amounts outstanding more than 90 days from the effective date of the transactions. The above balances had been aged according to the period subsequent to classification of these balances as past-due.

The past-due but not impaired insurance receivables are relating to agents and brokers with no defaults in the past.

31 FINANCIAL RISK (CONTINUED)

Impaired financial assets

At 31 December 2019, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM4,569,000 (2018: RM9,469,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears between twelve (12) to twenty four (24) months. No collateral is held as security for any past due or impaired assets. The Group and the Company record impairment allowance for loans and receivables, claim recoverable and insurance receivables in separate "Allowance for Impairment" accounts. A reconciliation of the allowance for impairment losses for loans and receivables, claim recoverable and insurance receivables is as follows:

	Group / Company	
	2019 RM'000	2018 RM'000
At 1 January	11,341	13,435
Charge for the year		
- Loans and receivables	-	115
- Reinsurance assets	2,726	-
- Insurance receivables	1,455	6,458
Recoveries		
- Loans and receivables	(15)	-
- Reinsurance assets	-	(1,084)
- Insurance receivables	(6,355)	(7,583)
At 31 December	9,152	11,341

Liquidity risk

Liquidity risk is the risk that the Group and Company 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 Group's and Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

There are guidelines on asset allocation, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.

The Group's and Company's catastrophe excess-of-loss reinsurance contract contains clauses permitting the Group and Company to make cash call claims and receive immediate payment for large loss should claim events exceed a certain amount.

Maturity profiles

The table in the following page summarises the maturity profile of the financial assets and financial liabilities of the Group and Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Premiums liabilities and the reinsurers' share of premiums liabilities have been excluded from the analysis as they are not financial liabilities as there are no contractual obligations.

Group	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2019							
Financial investments:							
AFS	1,656,128	240,078	17,200	456,418	541,441	681,052	1,936,189
Reinsurance assets – claims liabilities	213,121	-	146,230	53,867	11,004	2,020	213,121
Insurance receivables	86,293	-	86,293	-	-	-	86,293
LAR (excluding insurance receivables)	424,592	-	423,847	552	261	155	424,815
Cash and bank balances	25,906	25,906	-	-	-	-	25,906
Total financial assets	2,406,040	265,984	673,570	510,837	552,706	683,227	2,686,324
General insurance claims liabilities	837,569	-	528,901	254,596	47,076	6,996	837,569
Other financial liabilities	11,754	-	11,754	-	-	-	11,754
Insurance payables	53,334	-	53,334	-	-	-	53,334
Other payables	81,748	-	80,874	633	385	-	81,892
Lease liabilities	8,482	-	4,379	3,305	1,447	-	9,131
Total financial liabilities	992,887	-	679,242	258,534	48,908	6,996	993,680

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Group	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2018							
Financial investments:							
AFS	1,645,935	285,022	16,464	415,064	652,128	604,495	1,973,173
Reinsurance assets – claims liabilities	207,885	-	144,126	51,888	10,191	1,680	207,885
Insurance receivables	98,432	-	98,432	-	-	-	98,432
LAR (excluding insurance receivables)	385,746	-	384,668	664	314	296	385,942
Cash and bank balances	22,552	22,552	-	-	-	-	22,552
Total financial assets	2,360,550	307,574	643,690	467,616	662,633	606,471	2,687,984
General insurance claims liabilities	853,986	-	534,387	264,379	48,313	6,907	853,986
Other financial liabilities	6,644	-	6,644	-	-	-	6,644
Insurance payables	64,304	-	64,304	-	-	-	64,304
Other payables	83,786	-	83,786	-	-	-	83,786
Total financial liabilities	1,008,720	-	689,121	264,379	48,313	6,907	1,008,720

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Company	Carrying Value RM'000	No maturity Date RM'000	Contractual Cash Flow (undiscounted) Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 Years RM'000	Total RM'000
31 December 2019							
Financial investments:							
AFS	1,675,858	1,675,858	-	-	-	-	1,675,858
Reinsurance assets – claims liabilities	213,121	-	146,230	53,867	11,004	2,020	213,121
Insurance receivables	86,293	-	86,293	-	-	-	86,293
LAR (excluding insurance receivables)	403,524	-	402,778	552	261	155	403,746
Cash and bank balances	25,872	25,872	-	-	-	-	25,872
Total financial assets	2,404,668	1,701,730	635,301	54,419	11,265	2,175	2,404,890
General insurance claims liabilities	837,569	-	528,901	254,596	47,076	6,996	837,569
Other financial liabilities	11,754	-	11,754	-	-	-	11,754
Insurance payables	53,334	-	53,334	-	-	-	53,334
Other payables	80,376	-	79,502	633	385	-	80,520
Lease liabilities	8,482	-	4,379	3,305	1,447	-	9,131
Total financial liabilities	991,515	-	677,870	258,534	48,908	6,996	992,308

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			Contractual Cash Flow (undiscounted)				
Company	Carrying Value RM'000	No maturity Date RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2018							
Financial investments:							
AFS	1,685,632	1,685,632	-	-	-	-	1,685,632
Reinsurance assets – claims liabilities	207,885	-	144,126	51,888	10,191	1,680	207,885
Insurance receivables	98,432	-	98,432	-	-	-	98,432
LAR (excluding insurance receivables)	345,743	-	344,665	664	314	296	345,939
Cash and bank balances	22,532	22,532	-	-	-	-	22,532
Total financial assets	2,360,224	1,708,164	587,223	52,552	10,505	1,976	2,360,420
General insurance claims liabilities	853,986	-	534,387	264,379	48,313	6,907	853,986
Other financial liabilities	6,644	-	6,644	-	-	-	6,644
Insurance payables	64,304	-	64,304	-	-	-	64,304
Other payables	83,460	-	83,460	-	-	-	83,460
Total financial liabilities	1,008,394	-	688,795	264,379	48,313	6,907	1,008,394

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities.

Group	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2019			
Property, plant and equipment	-	25,832	25,832
Intangible assets	-	179,943	179,943
Investments:			
- AFS	73,650	1,582,478	1,656,128
Reinsurance assets	183,851	66,891	250,742
Insurance receivables	86,293	-	86,293
Loans and receivables (excluding insurance receivables)	368,549	59,069	427,618
Cash and bank balances	25,906	-	25,906
Total assets	738,249	1,914,213	2,652,462
Insurance contract liabilities	932,306	308,668	1,240,974
Deferred tax liabilities	8,353	-	8,353
Tax payable	1,142	,	1,142
Other financial liabilities	11,754	-	11,754
Insurance payables	53,334	-	53,334
Other payables	84,862	5,368	90,230
Total liabilities	1,091,751	314,036	1,405,787

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities. (continued)

Group	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2018			
Property, plant and equipment	-	17,609	17,609
Intangible assets	-	179,943	179,943
Investments:			
- AFS	55,041	1,590,894	1,645,935
Reinsurance assets	177,061	63,759	240,820
Insurance receivables	98,432	-	98,432
Loans and receivables (excluding insurance receivables)	324,241	63,579	387,820
Cash and bank balances	22,552	-	22,552
Total assets	677,327	1,915,784	2,593,111
Insurance contract liabilities	940,102	319,599	1,259,701
Deferred tax liabilities	3,353	-	3,353
Tax payable	2,949	-	2,949
Other financial liabilities	6,644	-	6,644
Insurance payables	64,304	-	64,304
Other payables	83,786	-	83,786
Total liabilities	1,101,138	319,599	1,420,737

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities. (continued)

Company	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2019			
Property, plant and equipment	-	25,832	25,832
Intangible assets	-	179,943	179,943
Investments:			
- AFS	138	1,675,720	1,675,858
Reinsurance assets	183,851	66,891	250,742
Insurance receivables	86,293	-	86,293
Loans and receivables (excluding insurance receivables)	347,480	59,070	406,550
Cash and bank balances	25,872	-	25,872
Total assets	643,634	2,007,456	2,651,090
Insurance contract liabilities	932,306	308,668	1,240,974
Deferred tax liabilities	8,353	-	8,353
Tax payable	1,142	-	1,142
Other financial liabilities	11,754	-	11,754
Insurance payables	53,334	-	53,334
Other payables	83,490	5,368	88,858
Total liabilities	1,090,379	314,036	1,404,415

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities. (continued)

Company	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2018			
Property, plant and equipment	-	17,609	17,609
Intangible assets	-	179,943	179,943
Investments:			
- AFS	1,423	1,684,209	1,685,632
Reinsurance assets	177,061	63,759	240,820
Insurance receivables	98,432	-	98,432
Loans and receivables (excluding insurance receivables)	284,238	63,579	347,817
Cash and bank balances	22,532	-	22,532
Total assets	583,686	2,009,099	2,592,785
Insurance contract liabilities	940,102	319,599	1,259,701
Deferred tax liabilities	3,353	-	3,353
Tax payable	2,949	-	2,949
Other financial liabilities	6,644	-	6,644
Insurance payables	64,304	-	64,304
Other payables	83,460	-	83,460
Total liabilities	1,100,812	319,599	1,420,411

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of the potential adverse changes in market prices. Market risk comprises three (3) types of risk – market interest rates risk, foreign exchange rates (currency risk), and market prices (price risk).

The Group and the Company invest in unit trusts and fixed income securities either managed internally or outsourced to professional fund managers. To deal with these risks, the Board has formulated investment policies and strategies and meetings were held during the financial year to monitor the performance of the fund managers.

Interest rate 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.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed rate instruments expose the Group and the Company to fair value interest.

Changes in the market interest rates will affect the Group's and the Company's investment earnings as the Group and the Company place part of their excess funds in interest bearing instruments and bank deposits. The Group and the Company therefore have set strict investment guidelines in place that provide for careful selection of issuers and financial institutions to ensure that the risks are well spread and the investments generate favourable as well as safe returns for the shareholders.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the deposits and fixed income securities of the Group and the Company:

Group	Impact on profit before tax	Impact on equity*
	RM'000	RM'000
31 December 2019		
Change in interest rates		
+ 50 basis points	8,458	6,428
- 50 basis points	(8,458)	(6,428)
31 December 2018		
Change in interest rates		
+ 50 basis points	8,281	6,294
- 50 basis points	(8,281)	(6,294)

31 FINANCIAL RISK (CONTINUED)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the deposits and fixed income securities of the Group and the Company: (continued)

Company	Impact on profit before tax	Impact on equity*
	RM'000	RM'000
31 December 2019		
Change in interest rates		
+ 50 basis points	1,539	1,170
- 50 basis points	(1,539)	(1,170)
31 December 2018		
Change in interest rates		
+ 50 basis points	1,363	1,036
- 50 basis points	(1,363)	(1,036)

* Impact on equity reflects adjustments for tax, when applicable

Foreign currency risk

The Group and the Company are exposed to foreign currency risks on transactions that are denominated other than in Ringgit Malaysia. These exposures are monitored on an ongoing basis, and the Group's and the Company's exposure is minimal.

The Group and the Company do not hedge their foreign currency risk.

31 FINANCIAL RISK (CONTINUED)

Price risk

Equity price risk is the risk that the fair value of 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 Group's and 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.

The Group's and 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 Group and the Company comply with BNM stipulated limits during the financial year and has no significant concentration of price risk.

There is no significant movement in key variables, thereof having no impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in income statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets) using FBM KLCI or other market indices.

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group and the Company are able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

Business risks, such as, changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting.

	Group / Company	
	2019	2018
	RM'000	RM'000
Gross amounts of recognised		
- insurance receivables	86,550	100,782
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(257)	(2,350)
Net amounts of insurance receivables presented in the statement of financial position	86,293	98,432

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2019	2018
	RM'000	RM'000
Gross amounts of recognised		
- insurance payables	53,591	66,654
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(257)	(2,350)
Net amounts of insurance payables presented in the statement of financial position	53,334	64,304

33 REGULATORY CAPITAL REQUIREMENTS

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

The capital structure of the Company as at 31 December 2019, as prescribed under the Framework, is provided below:

	Note	Company 2019 RM'000	Company 2018 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		782,119	738,236
		1,185,590	1,141,707
Tier 2 Capital			
Available-for-sale reserves	13	56,169	25,751
Revaluation reserves	13	4,916	4,916
		61,085	30,667
Amounts deducted from Capital		(179,943)	(179,943)
Total Capital Available		1,066,732	992,431

The Company has met the minimum capital requirements specified in the Framework for the financial years ended 2019 and 2018.

34 CONTINGENT LIABILITIES

In August 2016, Malaysia Competition Commission ("MyCC") commenced investigation under Section 15(1) of the Competition Act 2010 ("the Act") against the General Insurance Association of Malaysia ("PIAM") and its 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, MyCC issued a proposed decision to all 22 member companies, proposing to impose collective penalty of RM213.5 million on the general insurance industry. As an 'industry collective action', the Company together with PIAM, submitted a written representation and made oral representation to MyCC on 25 April 2017 and 29 January 2018 respectively to defend the allegation.

Although there have been some activities on this case during the financial year, the status is still open and remains largely unchanged.

35 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16

Adjustments as at 1 January 2019

As at 1 January 2019, the change in accounting policies has affected the following items:

- ROU assets – increase by RM21.675 million
- prepayments – decrease by RM65,165
- lease liabilities – increase by RM12.992 million
- Asset restoration provision – increase by RM2.813 million
- Property, plant and equipment owned decreased by RM7.314 million

The net impact on retained earnings on 1 January 2019 was a decrease of RM1,509,315.

Measurement of lease liabilities on 1 January 2019

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	13,172
Discounted using the lessee's incremental borrowing rate of at the DIA	(1,144)
Add/(Less):	
Short-term leases recognised on a straight-line basis as expense	(205)
Low-value leases recognised on a straight-line basis as expense	(1,598)
Contracts reassessed as service agreements	(1,283)
Adjustments as a result of a different treatment of extension and termination options	4,050
Lease liabilities recognised as at 1 January 2019	12,992
Of which are:	
Current lease liabilities	5,188
Non-current lease liabilities	7,804
	12,992

36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 "FINANCIAL INSTRUMENTS" WITH MFRS 4 "INSURANCE CONTRACTS" EFFECTIVE 1 JANUARY 2018

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 "Financial Instruments" before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9 whereas, under MFRS 4 "Insurance Contracts", the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide 2 different approaches for the Group and the Company:

- Temporary exemption from MFRS 9 for entities that meet specific requirements; and
- The overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the least. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

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

The Group's and the Company's business activity is predominantly insurance as the insurance liabilities made up more than 90% of the Group's and the Company's total liabilities. Hence the Group's and the Company qualify for the temporary exemption approach. Management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” EFFECTIVE 1 JANUARY 2018 (CONTINUED)

As required under the Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, the following table provides the additional disclosure on the Group and 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”).

	Note	Fair value as at 31.12.2019	Fair value as at 31.12.2018	Cash flows characteristic
Group		RM’000	RM’000	
Financial assets				
Malaysian Government Securities	6(c)	122,943	139,419	SPPI
Government Investment Issues	6(c)	115,274	74,587	SPPI
Corporate debt securities	6(c)	1,177,833	1,146,907	SPPI
Unit trusts	6(c)	240,078	285,022	Non SPPI
		1,656,128	1,645,935	
Loans and receivables*		424,592	385,746	SPPI
Cash and bank balances		25,906	22,552	SPPI
		2,106,626	2,054,233	
Company				
Financial assets				
Unit Trusts		240,078	285,022	Non SPPI
Controlled structured entities		1,435,780	1,400,610	Non SPPI
	6(c)	1,675,858	1,685,632	
Loans and receivables*		403,524	345,743	SPPI
Cash and bank balances		25,872	22,532	SPPI
		2,105,254	2,053,907	

* Loans and receivable excluded prepayment of RM3,025,702 (2018:RM2,074,382).

Insurance receivables and reinsurance assets have been excluded from the above and following table as they will be under the scope of MFRS 17 “Insurance Contracts”.

36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” EFFECTIVE 1 JANUARY 2018 (CONTINUED)

The following table provides information regard credit risk exposure of the Group’s and Company’s financial assets with SPPI cash flows under Amendments to MFRS 4.

31.12.2019	AAA	AA	A	BBB	Not rated	Total
Financial assets with SPPI cash flows						
Gross carrying amounts under MFRS	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Group						
Malaysian Government Securities	-	-	-	-	122,943	122,943
Government Investment Issues	-	-	-	-	115,274	115,274
Corporate debt securities	237,153	455,050	30,820	-	454,810	1,177,833
Loans and receivables						
Staff loans	-	-	-	-	1,167	1,167
Fixed and call deposits	149,092	101,384	55,456	58,360	-	364,292
Other receivables*	-	-	-	-	59,133	59,133
Cash and bank balances	21,320	3,464	1,066	-	56	25,906
Total	407,565	559,898	87,342	58,360	753,383	1,866,548
Company						
Loans and receivables						
Staff loans	-	-	-	-	1,167	1,167
Fixed and call deposits	139,304	90,103	55,457	58,360	-	343,224
Other receivables*	-	-	-	-	59,133	59,133
Cash and bank balances	21,320	3,464	1,066	-	22	25,872
Total	160,624	93,567	56,523	58,360	60,322	429,396

* Loans and receivable excluded prepayment of RM3,025,702

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

36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” EFFECTIVE 1 JANUARY 2018 (CONTINUED)

The following table provides information regard credit risk exposure of the Group’s and Company’s financial assets with SPPI cash flows under Amendments to MFRS 4.

31.12.2018	AAA	AA	A	BBB	Not rated	Total
Financial assets with SPPI cash flows						
Gross carrying amounts under MFRS	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Group						
Malaysian Government Securities	-	-	-	-	139,419	139,419
Government Investment Issues	-	-	-	-	74,587	74,587
Corporate debt securities	218,111	487,680	14,211	-	426,905	1,146,907
Loans and receivables						
Staff loans	-	-	-	-	1,557	1,557
Fixed and call deposits	120,727	152,683	-	45,368	-	318,778
Other receivables*	-	-	-	-	65,411	65,411
Cash and bank balances	14,714	6,292	1,504	-	42	22,552
Total	353,552	646,655	15,715	45,368	707,921	1,769,211
Company						
Loans and receivables						
Staff loans	-	-	-	-	1,557	1,557
Fixed and call deposits	80,724	152,683	-	45,368	-	278,775
Other receivables*	-	-	-	-	65,411	65,411
Cash and bank balances	14,714	6,292	1,504	-	22	22,532
Total	95,438	158,975	1,504	45,368	66,990	368,275

* Loans and receivable excluded prepayment of RM2,074,382

Financial assets with SPPI cash flows
All financial assets with SPPI cash flows of the Group and the Company as at 31 December 2018 have low credit risk

37 SIGNIFICANT EVENT AFTER REPORTING DATE

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.