

Registration No.

198601000381 (149520-U)

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

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2020

Registration No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
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**TOKIO MARINE INSURANS (MALAYSIA) BERHAD**  
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**DIRECTORS' REPORT**

The Directors are pleased to submit their report to the member together with the audited financial statements of the Group and Company for the financial year ended 31 December 2020.

**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**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year attributable to		
- Owner of the Company	113,718	103,771

**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 2019:	
Final dividend paid on 29 June 2020	<u>55,801</u>

The Company has received Bank Negara Malaysia ("BNM")'s approval for the distribution of interim dividend of RM55,800,920 in respect of the financial year ended 31 December 2020. Dividend payment after the date of this report will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2021.

The Directors have not recommended the payment of final 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.

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**DIRECTORS' REPORT (CONTINUED)**

**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.

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.

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.

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**DIRECTORS' REPORT (CONTINUED)**

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the 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 other than the provision of financial penalty of RM14,669,018 as disclosed in Note 37 to the financial statements.

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.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 38 to the financial statements.

**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. Board Responsibilities

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;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

1. Board Responsibilities (continued)
  - 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;
  - 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	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.*

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**DIRECTORS' REPORT (CONTINUED)**

**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  
75 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 Dutch Lady Milk Industries Berhad, Land & General Berhad and Touch n' Go Sdn Bhd. He also sits on the boards of Khazanah Nasional Berhad and 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.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

3. Directors' Profiles and Training (continued)

**Dato' Zainal Abidin Bin Putih (continued)**

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

<b>Date of Training</b>	<b>Training / Conferences</b>	<b>Organiser of Training Programs / Conferences</b>
23 January 2020	ALMA Remediation – Diagnostic Interview with Group & Banking AC – Project Introduction	CIMB
17 February 2020	MFRS 17 Insurance Contract	Tokio Marine Insurans (Malaysia) Berhad / KPMG
18 February 2020	Briefing on RAROC, Capital & FRS 9	CIMB
20 February 2020	Engagement Session with DG Rasheed on Islamic Finance Strategy	BNM
1 December 2020	Guidelines on Adequate Procedures T.R.U.S.T – Pursuant to subsection 5 of Section 17A under the MACC Act 2009	Tokio Marine Insurans (Malaysia) Berhad
1 December 2020	Cyber Security Awareness	EY Malaysia



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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

3. Directors' Profiles and Training (continued)

**Yip Jian Lee**

Independent Director  
66 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 PricewaterhouseCoopers Taxation 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; and she now serves on the Advisory Council. 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 FWD Takaful Berhad, Carimin Petroleum Berhad and Professional Golf of Malaysia.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

3. Directors' Profiles and Training (continued)

**Yip Jian Lee (continued)**

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

<b>Date of Training</b>	<b>Training / Conferences</b>	<b>Organiser of Training Programs / Conferences</b>
17 February 2020	MFRS 17 Insurance Contract	Tokio Marine Insurans (Malaysia) Berhad / KPMG
19 February 2020	Corporate Liability on Corruption, The Malaysian Anti-Corruption Act 2009 (Amended 2018)	Cospec Management Services Sdn Bhd
28 April 2020	Seize the Opportunity Through H.O.P.E	Prudential Berhad
21 May 2020	Navigating The Investment Landscape	OCBC Bank Berhad
13 May 2020	Applying Business Continuity Management (BCM) to Survive & Thrive Beyond COVID-19 Shadow	Tricor Services (M) Sdn Bhd
21 May 2020	Investing in a Prolonged Low Interest Rate Era	UOB Berhad
2 July 2020	2020 Third Party Risk Survey & Insights	Ernest & Young
11 November 2020	"Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution".	FIDE
16 November 2020	Fraud Risk Management Workshop	PWC /Bursa Malaysia
1 December 2020	Guidelines on Adequate Procedures T.R.U.S.T – Pursuant to subsection 5 of Section 17A under the MACC Act 2009	Tokio Marine Insurans (Malaysia) Berhad
1 December 2020	Cyber Security Awareness	EY Malaysia
7 – 11 December 2020	Singapore Fintech Festival	MAS, ABS and SingEX

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

3. Directors' Profiles and Training (continued)

**Yeoh Chong Keng**

Independent Director

69 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, 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:

<b>Date of Training</b>	<b>Training / Conferences</b>	<b>Organiser of Training Programs / Conferences</b>
17 February 2020	MFRS 17 Insurance Contract	Tokio Marine Insurans (Malaysia) Berhad / KPMG
3 March 2020	Awareness on Anti-Bribery Management System	Tricor Hive Sdn Bhd
1 December 2020	Guidelines on Adequate Procedures T.R.U.S.T – Pursuant to subsection 5 of Section 17A under the MACC Act 2009	Tokio Marine Insurans (Malaysia) Berhad
1 December 2020	Cyber Security Awareness	EY Malaysia

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

3. Directors' Profiles and Training (continued)

**Tham Saloon**

Executive Director \*

57 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. 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.

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**CORPORATE GOVERNANCE (CONTINUED)**

3. Directors' Profiles and Training (continued)

**Tham Saloon (continued)**

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

<b>Date of Training</b>	<b>Training / Conferences</b>	<b>Organiser of Training Programs / Conferences</b>
17 February 2020	MFRS 17 Insurance Contract	Tokio Marine Insurans (Malaysia) Berhad / KPMG
23 March 2020	Governance Frameworks	FIDE
24 March 2020	Accounting Red Flags & Role of Auditors	FIDE
25 March 2020	Subprime, Financial Institutions' Risk Taking	FIDE
25 March 2020	Risk Mitigation & Managing Risk Managers	FIDE
26 March 2020	Current and Emerging Issues in Corporate Governance	FIDE
26 March 2020	Board Succession Planning, Assessment and Effectiveness	FIDE
27 March 2020	Risk Governance & Oversight	FIDE
27 March 2020	The Rate of Insurance Company Board Members	FIDE
1 December 2020	Guidelines on Adequate Procedures T.R.U.S.T – Pursuant to subsection 5 of Section 17A under the MACC Act 2009	Tokio Marine Insurans (Malaysia) Berhad

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

4. Board meetings

During the financial year, the Board met six (6) 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:-

<u>Name of Directors</u>	<u>No. of Board Meetings Held</u>	<u>No. of Board Meetings Attended</u>
Dato' Zainal Abidin bin Putih	6	6
Yip Jian Lee	6	6
Yeoh Chong Keng	6	6
Tham Saloon	6	6

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DIRECTORS' REPORT (CONTINUED)

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:-

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

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DIRECTORS' REPORT (CONTINUED)

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 2020 was RM345,380 (2019: RM319,290). The fees for other services provided including limited review and IFRS reporting package are disclosed in Note 24 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:-

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



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**DIRECTORS' REPORT (CONTINUED)**

**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:-

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

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DIRECTORS' REPORT (CONTINUED)

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. Five (5) RC meetings were held during the financial year with attendance of the RC members as follows:-

<u>Name of Directors</u>	<u>No. of RC Meetings Held</u>	<u>No. of RC Meetings Attended</u>
Yip Jian Lee - RC Chairman	5	5
Dato' Zainal Abidin Bin Putih	5	5
Yeoh Chong Keng	5	5

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**DIRECTORS' REPORT (CONTINUED)**

**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.

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**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)

EXCO Members

- Chief Executive Officer ("CEO")
- Deputy Chief Executive Officer ("DCEO")
- Chief Technical Officer
- Chief Agency Officer
- Chief Claims Officer
- Chief Financial Officer
- Chief Information Officer
- Head, Human Resources
- General Manager, Corporate Marketing
- General Manager, Corporate Strategy
- Head, Operations
- General Manager, Motor Franchise Holders & Dealers

Other Key Responsible Persons

- Chief Risk & Compliance Officer ("CRCO")
- Chief Internal Auditor ("CIA")
- 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.

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**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)

**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.

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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 2020 are shown in the following tables.

<u>Name</u>	<u>Directorship / Designation</u>	<u>Fixed Remuneration</u>			<u>Variable Remuneration</u>			<u>Total value of remuneration awards for the financial year</u> RM'000
		<u>Cash-based</u> RM'000	<u>Shares and share-linked instrument</u> RM'000	<u>Others</u> RM'000	<u>Cash-based</u> RM'000	<u>Shares and share-linked instrument</u> RM'000	<u>Others</u> RM'000	
Dato' Zainal Abidin Bin Putih	Chairman / Director	170	-	-	6	-	-	176
Yeoh Chong Keng	Director	125	-	-	6	-	-	131
Yip Jian Lee	Director	125	-	-	6	-	-	131
Tham Saloon	Executive Director	-	-	-	-	-	-	-
Ng Hang Ming	Chief Executive Officer	1,250	-	29	587	-	-	1,866

<u>Category</u>	<u>No of Headcount</u>	<u>Fixed Remuneration</u>			<u>Variable Remuneration</u>			<u>Total value of remuneration awards for the financial year</u> RM'000
		<u>Cash-based</u> RM'000	<u>Shares and share-linked instrument</u> RM'000	<u>Others</u> RM'000	<u>Cash-based</u> RM'000	<u>Shares and share-linked instrument</u> RM'000	<u>Others</u> RM'000	
EXCO	12	6,714	-	433	1,598	-	-	8,745
Key Responsible Persons	3	1,742	-	-	343	-	-	2,085

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 2020.

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**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)

**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.

Management is responsible for the continuous assessment of the effectiveness and adequacy of internal controls, while the internal audit function conducts independent examination of key controls to provide assurance on the effectiveness of the control environment.

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 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.

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

**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  
Tham Saloon

In accordance with the Company's Constitution, Ms. Yip Jian Lee shall retire at the forthcoming Annual General Meeting, and being eligible, offers herself 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.



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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 23 March 2021.

SIGNED

YIP JIAN LEE  
DIRECTOR

Kuala Lumpur

SIGNED

YEOW CHONG KENG  
DIRECTOR

Registration No.

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**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 30 to 130 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 2020 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2020 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 23 March 2021.

SIGNED

YIP JIAN LEE  
DIRECTOR

SIGNED

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 30 to 130 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 23 March 2021.

Before me,

SIGNED

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
(Incorporated in Malaysia)  
(Company 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 2020, 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 2020 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 30 to 130.

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.

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

**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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“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 this other information, we are required to report that fact. We have nothing to report in this regard.

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

**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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (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.
- (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)  
(Company 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

Kuala Lumpur  
23 March 2021

**SIGNED**

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

Registration No.

198601000381 (149520-U)

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

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>ASSETS</b>					
Property, plant and equipment	4	56,842	25,832	56,842	25,832
Intangible assets	5	179,943	179,943	179,943	179,943
Investments: Available-for-sale	6,7	1,625,511	1,656,128	1,701,942	1,675,858
Reinsurance assets	8	270,741	250,742	270,741	250,742
Insurance receivables	9	99,115	86,293	99,115	86,293
Loans and receivables (excluding insurance receivables)	10	573,080	427,618	496,419	406,550
Cash and bank balances		40,806	25,906	40,751	25,872
<b>Total Assets</b>		<b>2,846,038</b>	<b>2,652,462</b>	<b>2,845,753</b>	<b>2,651,090</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	876,061	818,144	830,089	782,119
Other reserves	13	35,557	25,060	81,529	61,085
<b>Total Equity</b>		<b>1,315,089</b>	<b>1,246,675</b>	<b>1,315,089</b>	<b>1,246,675</b>
Insurance contract liabilities	14	1,311,330	1,240,974	1,311,330	1,240,974
Deferred tax liabilities	15	15,873	8,353	15,873	8,353
Provision for taxation		2,640	1,142	2,640	1,142
Other financial liabilities	16	19,049	11,754	19,049	11,754
Insurance payables	17	74,093	53,334	74,093	53,334
Other payables	18	107,964	90,230	107,679	88,858
<b>Total Liabilities</b>		<b>1,530,949</b>	<b>1,405,787</b>	<b>1,530,664</b>	<b>1,404,415</b>
<b>Total Equity and Liabilities</b>		<b>2,846,038</b>	<b>2,652,462</b>	<b>2,845,753</b>	<b>2,651,090</b>

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



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

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Gross earned premiums	19(a)	850,067	874,326	850,067	874,326
Premiums ceded to reinsurers	19(b)	(164,468)	(161,969)	(164,468)	(161,969)
<b>NET EARNED PREMIUMS</b>		<b>685,599</b>	<b>712,357</b>	<b>685,599</b>	<b>712,357</b>
Investment income	20	78,724	82,290	79,564	79,555
Realised gain/(loss)	21	18,209	5,185	721	(1,015)
Other operating income	22	3,615	5,812	3,615	5,809
Fee and commission income		45,393	40,193	45,393	40,193
<b>OTHER REVENUE</b>		<b>145,941</b>	<b>133,480</b>	<b>129,293</b>	<b>124,542</b>
<b>TOTAL REVENUE</b>		<b>831,540</b>	<b>845,837</b>	<b>814,892</b>	<b>836,899</b>
Gross claims paid		(397,459)	(517,851)	(397,459)	(517,851)
Claims ceded to reinsurers		40,249	63,925	40,249	63,925
Gross change to insurance contract liabilities		(40,371)	16,417	(40,371)	16,417
Change in insurance contract liabilities ceded to reinsurers		8,062	7,962	8,062	7,962
<b>NET CLAIMS INCURRED</b>		<b>(389,519)</b>	<b>(429,547)</b>	<b>(389,519)</b>	<b>(429,547)</b>
Other operating expense	22	(14,669)	-	(14,669)	-
Fair value losses	23	(4,591)	-	-	-
Fee and commission expense		(98,046)	(95,218)	(98,046)	(95,218)
Management expenses	24	(194,234)	(197,906)	(191,022)	(194,884)
Finance costs	25	(874)	(559)	(874)	(559)
<b>OTHER EXPENSES</b>		<b>(312,414)</b>	<b>(293,683)</b>	<b>(304,611)</b>	<b>(290,661)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>129,607</b>	<b>122,607</b>	<b>120,762</b>	<b>116,691</b>
Taxation	26	(15,889)	(5,089)	(16,991)	(5,089)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>113,718</b>	<b>117,518</b>	<b>103,771</b>	<b>111,602</b>
Attributable to:					
- Owner of the Company		113,718	117,518	103,771	111,602
<b>BASIC EARNINGS PER SHARE (SEN)</b>	27	<b>28</b>	<b>29</b>	<b>26</b>	<b>28</b>

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

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

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the financial year		113,718	117,518	103,771	111,602
Other comprehensive income:					
<u>Items that may be</u>					
<u>subsequently reclassified</u>					
<u>to income statements</u>					
Available-for-sale reserves					
- Net gain on fair value arising during the financial year		33,202	39,273	24,559	38,989
- Net realised (gain)/loss transferred to income statements		(18,148)	(5,165)	(660)	1,035
		15,054	34,108	23,899	40,024
Tax effects	15	(6,837)	(9,606)	(5,735)	(9,606)
		8,217	24,502	18,164	30,418
<u>Items that will not be reclassified</u>					
<u>to income statements</u>					
Revaluation reserve					
- Surplus arising during the financial year		3,000	-	3,000	-
Tax effects	15	(720)	-	(720)	-
		2,280	-	2,280	-
Total comprehensive income for the financial year		124,215	142,020	124,215	142,020
Total comprehensive income attributable:					
- Owner of the Company		124,215	142,020	124,215	142,020

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

Registration No.

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

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	<u>Share capital</u> RM'000	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total equity</u> RM'000
			<u>Revaluation reserves</u> RM'000	<u>Available-for-sale reserves</u> RM'000	<u>Retained earnings</u> RM'000	
<b>Group</b>						
<b>At 1 January 2019</b>		403,471	4,916	(4,358)	766,836	1,170,865
Profit for the financial year		-	-	-	117,518	117,518
Other comprehensive income for the financial year		-	-	24,502	-	24,502
Dividend paid	28	-	-	-	(66,210)	(66,210)
<b>At 31 December 2019</b>		<u>403,471</u>	<u>4,916</u>	<u>20,144</u>	<u>818,144</u>	<u>1,246,675</u>
<b>At 1 January 2020</b>		403,471	4,916	20,144	818,144	1,246,675
Profit for the financial year		-	-	-	113,718	113,718
Other comprehensive income for the financial year		-	2,280	8,217	-	10,497
Dividend paid	28	-	-	-	(55,801)	(55,801)
<b>At 31 December 2020</b>		<u>403,471</u>	<u>7,196</u>	<u>28,361</u>	<u>876,061</u>	<u>1,315,089</u>

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**TOKIO MARINE INSURANS (MALAYSIA) BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

			<u>Non-distributable</u>	<u>Distributable</u>		
	<u>Note</u>	<u>Share capital</u>	<u>Revaluation reserves</u>	<u>Available-for-sale reserves</u>	<u>Retained earnings</u>	<u>Total</u>
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>Company</b>						
<b>At 1 January 2019</b>		403,471	4,916	25,751	736,727	1,170,865
Profit for the financial year		-	-	-	111,602	111,602
Other comprehensive income for the financial year		-	-	30,418	-	30,418
Dividend paid	28	-	-	-	(66,210)	(66,210)
<b>At 31 December 2019</b>		<u>403,471</u>	<u>4,916</u>	<u>56,169</u>	<u>782,119</u>	<u>1,246,675</u>
<b>At 1 January 2020</b>		403,471	4,916	56,169	782,119	1,246,675
Profit for the financial year		-	-	-	103,771	103,771
Other comprehensive income for the financial year		-	2,280	18,164	-	20,444
Dividend paid	28	-	-	-	(55,801)	(55,801)
<b>At 31 December 2020</b>		<u>403,471</u>	<u>7,196</u>	<u>74,333</u>	<u>830,089</u>	<u>1,315,089</u>

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

TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
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STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the financial year	113,718	117,518	103,771	111,602
Adjustment of:				
Property, plant and equipment				
- depreciation	8,118	5,987	8,118	5,987
- gain on disposal	(61)	(20)	(61)	(20)
- write off	296	14	296	14
Depreciation for right-of-use ("ROU") assets	7,298	6,533	7,298	6,533
Amortisation of asset restoration	120	109	120	109
Interest on lease liability	874	559	874	559
(Gain)/loss on disposal of available-for-sale financial assets	(18,148)	(5,165)	(660)	1,035
Investment income	(78,724)	(82,290)	(79,564)	(79,555)
Allowance for impairment of investments	4,591	-	-	-
Allowance for/(write back) of impairment of insurance and other receivables	811	(2,189)	811	(2,189)
Bad debts written (back)/off	(14,922)	421	(14,922)	421
Tax expense	15,889	5,089	16,991	5,089
	39,860	46,566	43,072	49,585
Purchases of investments	(608,722)	(467,779)	(41,672)	(73,728)
Proceeds from disposal of investments	661,744	493,924	40,009	121,206
Increase in reinsurance assets	(20,087)	(12,648)	(20,087)	(12,648)
Decrease in insurance receivables	1,333	16,618	1,333	16,618
Increase in loans and receivables	(143,878)	(38,504)	(88,287)	(57,337)
Increase/(decrease) in insurance contract liabilities	70,356	(18,727)	70,356	(18,727)
Increase in other financial liabilities	7,295	5,110	7,295	5,110
Increase/(decrease) in insurance payables	20,759	(10,970)	20,759	(10,970)
Decrease in other payables	(3,105)	(5,098)	(2,018)	(6,144)
	25,555	8,492	30,760	12,965

**TOKIO MARINE INSURANS (MALAYSIA) BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax paid	(14,428)	(11,502)	(14,428)	(11,502)
Investment income received:				
- Interest	76,435	72,788	9,438	8,976
- Dividend	6,955	11,093	68,726	70,418
Interest paid on lease liabilities	(874)	(559)	(874)	(559)
Net cash generated from operating activities	93,643	80,312	93,622	80,298
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(17,197)	(5,335)	(17,197)	(5,335)
Proceeds from disposal of property, plant and equipment	69	23	69	23
Net cash used in investing activities	(17,128)	(5,312)	(17,128)	(5,312)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of lease liability	(5,814)	(5,436)	(5,814)	(5,436)
Dividend paid	(55,801)	(66,210)	(55,801)	(66,210)
Net cash used in financing activities	(61,615)	(71,646)	(61,615)	(71,646)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	14,900	3,354	14,879	3,340
CASH AND CASH EQUIVALENTS AT 1 JANUARY	25,906	22,552	25,872	22,532
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	40,806	25,906	40,751	25,872
Cash and bank balances	40,806	25,906	40,751	25,872

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
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STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

**Reconciliation of liabilities arising from financing activities**

	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<b>Lease liabilities</b>				
At 1 January	8,482	12,992	8,482	12,992
Cash flows	(6,688)	(5,995)	(6,688)	(5,995)
Interest charge	874	559	874	559
Lease addition	24,725	926	24,725	926
At 31 December	<u>27,393</u>	<u>8,482</u>	<u>27,393</u>	<u>8,482</u>

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

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**TOKIO MARINE INSURANS (MALAYSIA) BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020**

**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:

Level 20, Menara Hap Seng 3, Plaza Hap Seng  
No 1 Jalan P Ramlee  
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 23 March 2021.

**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.



TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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 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"**

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 have been applied prospectively.

TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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 2020 (continued)

**Amendments to MFRS 16 “Covid-19 Related Rent Concessions”**

Amendments to MFRS 16 “Covid-19-Related Rent Concessions” grant an optional exemption for lessees to account for a rent concession related to Covid-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group and the Company have early adopted the MFRS 16 amendment for the first time in its annual financial statements for the financial year ended 31 December 2020. In accordance with the transitional provisions provided in the MFRS 16 amendment, the comparative information for 2019 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles for MFRS 16. These amendments had no impact to the retained earnings on 1 January 2020. The detailed impact of the changes in accounting policies on Covid-19 related rent concessions is disclosed in Note 35 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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 2020 (continued)

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

The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS and does not override any IFRSs.

Key changes to framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.
- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.
- Clarification on reporting entity for financial reporting- introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided.
- Presentation and disclosure - clarification that statement of profit or loss ('P&L') is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to P&L is required if this results in more relevant information or a more faithful representation of P&L.

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies. The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

The revised concepts have been applied prospectively.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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 2020 (continued)

**Amendments to MFRS 3 “Definition of a Business”**

Amendments to MFRS 3 “Definition of a Business” revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs.

In addition, the revised definition of the term “outputs” is narrow, focuses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as “concentration test” that, if met, eliminates the need for further assessment. The assets acquired would not represent a business when substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets).

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

The adoption of the amendments to MFRS 3 did not have any impact on the current reporting year.

**Amendments to MFRS 4 “Extension of the Temporary Exemption from Applying MFRS 9”**

The application of Amendments to MFRS 4 “Extension of the Temporary Exemption from Applying MFRS 9” are disclosed under Note 36 to the financial statements.

The application of the new standards, amendments to standards or framework effective for the financial year beginning on or after 1 January 2020 are not expected to have any material financial impact to the current or future periods.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Financial year beginning on or after 1 January 2022

**Amendments to MFRS 3 “Reference to the Conceptual Framework”**

Amendments to MFRS 3 “Reference to the Conceptual Framework” replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combination on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 “Provisions, contingent liabilities and contingent assets” and IC Interpretation 21 “Levies” when falls within their scope. It also clarifies that contingent assets should not be recognized at the acquisition date.

The amendments shall be applied prospectively.

**Amendments to MFRS 116 “Proceeds before Intended Use”**

Amendments to MFRS 116 “Proceeds before Intended Use” prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognized in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

**Amendments to MFRS 137 “Onerous Contracts – Cost of Fulfilling a Contract”**

Amendments to MFRS 137 “Onerous Contracts – Cost of Fulfilling a Contract” clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

## (iii) Financial year beginning on or after 1 January 2023

**Amendments to 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 the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Financial year beginning on or after 1 January 2023 (continued)

**Amendments to MFRS 101 “Classification of Liabilities as Current or Non-current”**

Amendments to MFRS 101 “Classification of Liabilities as Current or Non-current” clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

Except as mentioned above, the initial application of the other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 January 2021 are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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 purpose 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.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**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.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**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 - 7 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.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

## 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.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

## 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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.



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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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 Bornhuetter-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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)**

**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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

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

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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

The Group and the Company present 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.

**Amendment to accounting policies applied from 1 January 2020 on Covid-19 related rent concession**

During the financial year, the Group and the Company elect to account for Covid-19 related rent concessions that meet all of the following conditions in the same way they would if they were not lease modification:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group and the Company account for such Covid-19 related rent concession as a variable lease payment in the financial year in which the event or condition that triggers the reduced payment occurs. The Group and the Company present the impact of rent concessions within operating expenses.

Until 31 December 2019, the accounting required by MFRS 16 for a change in lease payments, other than those arising from a change in amounts expected to be payable under residue value guarantees or in an index or rate used to determine lease payments, depends on whether that change meets the definition of a lease modification.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

If a rent concession results from a lease modification, the Group and the Company account for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Group and the Company account for the rent concession as a variable lease payment in the financial year in which the event or condition that triggers the reduced payment occurs.

(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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial instruments (continued)

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 which require the use of estimates for cash flow projections which reflect the weighted average of all possible outcome. Refer to Note 5 to the financial statements on key assumptions used in the calculations for the CGUs.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(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.

The valuation of claims liabilities as at 31 December 2020 has taken into account the Covid-19 impact.

(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 4.01% to 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).

(iv) Provision for financial penalty

The management has considered a provision of RM14,669,018 in relation to the financial penalty arising from the notice from Malaysia Competition Commission (“MyCC”) as disclosed in Note 37 to the financial statements.



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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

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

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Property, plant and equipment owned	18,401	9,626
Right-of-use ("ROU") assets	38,441	16,206
	<u>56,842</u>	<u>25,832</u>

Property, plant and equipment owned

	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Office equipment and computers</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group / Company</u>				
<u>Cost</u>				
At 1 January 2020	11,344	2,642	44,135	58,121
Additions	8,375	603	8,219	17,197
Disposals	-	(218)	(388)	(606)
Write-offs	(6,302)	-	(478)	(6,780)
At 31 December 2020	<u>13,417</u>	<u>3,027</u>	<u>51,488</u>	<u>67,932</u>
<u>Accumulated depreciation</u>				
At 1 January 2020	10,639	1,383	36,473	48,495
Charge for the financial year	1,699	600	5,819	8,118
Disposals	-	(218)	(380)	(598)
Write-offs	(6,036)	-	(448)	(6,484)
At 31 December 2020	<u>6,302</u>	<u>1,765</u>	<u>41,464</u>	<u>49,531</u>
<u>Net book value</u>				
At 31 December 2020	<u>7,115</u>	<u>1,262</u>	<u>10,024</u>	<u>18,401</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment owned (continued)

<u>Group / Company</u>	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment and computers</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>				
At 1 January 2019	11,107	2,645	39,966	53,718
Additions	242	18	5,075	5,335
Disposals	-	(21)	(758)	(779)
Write-offs	(5)	-	(148)	(153)
At 31 December 2019	11,344	2,642	44,135	58,121
<u>Accumulated depreciation</u>				
At 1 January 2019	10,226	923	32,274	43,423
Charge for the financial year	418	481	5,088	5,987
Disposals	-	(21)	(755)	(776)
Write-offs	(5)	-	(134)	(139)
At 31 December 2019	10,639	1,383	36,473	48,495
<u>Net book value</u>				
At 31 December 2019	705	1,259	7,662	9,626

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use (“ROU”) assets

	Leasehold land and building RM'000	<u>Properties</u> RM'000	<u>Total</u> RM'000
<u>Valuation/Cost</u>			
At 1 January 2020	9,000	22,514	31,514
Revaluation	3,000	-	3,000
Additions	-	28,093	28,093
Termination/expiry	-	(12,691)	(12,691)
At 31 December 2020	12,000	37,916	49,916
<u>Accumulated depreciation</u>			
At 1 January 2020	1,929	13,379	15,308
Charge for the financial year	288	7,010	7,298
Termination/expiry	-	(11,131)	(11,131)
At 31 December 2020	2,217	9,258	11,475
<u>Net book value</u>			
At 31 December 2020	9,783	28,658	38,441
<u>Valuation/Cost</u>			
At 1 January 2019	9,000	21,450	30,450
Additions	-	1,064	1,064
At 31 December 2019	9,000	22,514	31,514
<u>Accumulated depreciation</u>			
At 1 January 2019	1,686	7,089	8,775
Charge for the financial year	243	6,290	6,533
At 31 December 2019	1,929	13,379	15,308
<u>Net book value</u>			
At 31 December 2019	7,071	9,135	16,206

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4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use (“ROU”) assets (continued)

	<u>Group/Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Interest expense	874	559
Total cash outflow for leases	6,688	5,995

The Group and the Company lease various offices and premises. Rental contracts are typically made for fixed periods of 2 to 5 years (2019: 2 to 5 years) but may have extension options.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)**

**5 INTANGIBLE ASSETS**

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Cost:		
At 1 January / 31 December	<u>179,943</u>	<u>179,943</u>

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 2020, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was remained as RM13,666,666 (2019: RM13,666,666), RM13,263,065 (2019: RM13,263,065) and RM153,013,485 (2019: RM153,013,485) respectively.

Goodwill has been allocated to the cash generating unit (“CGU”), being the combined general insurance business as a whole. The recoverable amount of the CGU is determined using value-in-use calculation. These calculation uses pre-tax cashflow projections derived from approved financial budgets covering a period of three (3) years from 2021 to 2023. The financial budgets have been prepared based on reasonable and supportable assumptions, which include the considerations of historical performance, market developments as well as the Group’s and Company’s own future business strategies. The calculation of the value-in-use has been probability-weighted, which takes into account the possible variations in the amount and timing of the future cashflows. Cashflows beyond 3 years period are extrapolated using estimated perpetual growth rate considering the long term Gross Domestic Product growth outlook for the country.

The key assumptions used in the value-in-use calculation have taken into account the Covid-19 impact:

- (a) Average premium growth rate of 7.1% (2019: 5.7%) 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 Group and the Company. The weighted average growth rates are consistent with the forecasts included in industry reports, adjusted with the trends and expectations of the Group’s and Company’s branches.
- (b) Loss ratios of 59.5% (2019: 60.6%) 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% (2019: 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 3.5% (2019: 5%) per annum.

The recoverable amount of the CGU is estimated to be RM1,683,000,000 (2019: RM1,547,000,000).

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020 (CONTINUED)**

**5 INTANGIBLE ASSETS (CONTINUED)**

The Group and the Company have 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 Group and the Company have 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.

	2020		2019	
	From %	To %	From %	To %
Loss ratio	60.0	62.4	61.0	63.9
Perpetual margin growth rate	3.5	1.5	5.0	2.4

**6 INVESTMENTS**

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Available-for-sale financial assets ("AFS")	1,625,511	1,656,128	1,701,942	1,675,858
Loans and receivables ("LAR") (Note 10)	573,080	427,618	496,419	406,550
	<u>2,198,591</u>	<u>2,083,746</u>	<u>2,198,361</u>	<u>2,082,408</u>
Current:				
	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
AFS	74,462	73,650	-	138
LAR	521,819	368,548	445,158	347,480
	<u>596,281</u>	<u>442,198</u>	<u>445,158</u>	<u>347,618</u>
Non current:				
	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
AFS	1,551,049	1,582,478	1,701,942	1,675,720
LAR	51,261	59,070	51,261	59,070
	<u>1,602,310</u>	<u>1,641,548</u>	<u>1,753,203</u>	<u>1,734,790</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Fair value</u>				
Malaysian Government Securities	157,242	121,419	-	-
Government Investment Issues	90,641	113,743	-	-
Corporate debt securities:				
Unquoted	1,151,500	1,163,688	-	-
	<u>1,399,383</u>	<u>1,398,850</u>	<u>-</u>	<u>-</u>
Unit trusts	210,474	239,940	210,474	239,940
Controlled structured entities (Note 7)	-	-	1,491,468	1,435,780
	<u>1,609,857</u>	<u>1,638,790</u>	<u>1,701,942</u>	<u>1,675,720</u>
<u>Accrued interest income</u>				
Malaysian Government Securities	1,852	1,524	-	-
Government Investment Issues	660	1,531	-	-
Corporate debt securities:				
Unquoted	13,142	14,145	-	-
	<u>15,654</u>	<u>17,200</u>	<u>-</u>	<u>-</u>
<u>Accrued dividend income</u>				
Unit trusts	-	138	-	138
	<u>1,625,511</u>	<u>1,656,128</u>	<u>1,701,942</u>	<u>1,675,858</u>



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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial assets

<u>Group</u>	<u>AFS</u> RM'000	<u>Total</u> RM'000
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	<u>1,656,128</u>	<u>1,656,128</u>
At 1 January 2020	1,656,128	1,656,128
Purchases	608,722	608,722
Disposals	(643,596)	(643,596)
Fair value gains recorded in:		
Other comprehensive income	15,054	15,054
Allowance for impairment (Note 23)	(4,591)	(4,591)
Movement in investment income due and accrued	(6,206)	(6,206)
At 31 December 2020	<u>1,625,511</u>	<u>1,625,511</u>
 <u>Company</u>		
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	<u>1,675,858</u>	<u>1,675,858</u>
At 1 January 2020	1,675,858	1,675,858
Purchases	41,672	41,672
Disposals	(39,349)	(39,349)
Fair value gains recorded in:		
Other comprehensive income	23,899	23,899
Movement in investment income due and accrued	(138)	(138)
At 31 December 2020	<u>1,701,942</u>	<u>1,701,942</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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:

<u>Group</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31 December 2020</u>			
<u>Financial Assets</u>			
Available-for-sale financial assets:			
- Malaysian Government Securities	-	159,094	159,094
- Government Investment Issues	-	91,301	91,301
- Corporate debt securities	-	1,164,642	1,164,642
- Unit trusts	210,474	-	210,474
	<u>210,474</u>	<u>1,415,037</u>	<u>1,625,511</u>

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
	<u>240,078</u>	<u>1,416,050</u>	<u>1,656,128</u>

Company

Level 1  
RM'000

31 December 2020

Financial Assets

Available-for-sale financial assets:	
- Unit trusts	210,474
- Controlled structured entities	1,491,468
	<u>1,701,942</u>

31 December 2019

Financial Assets

Available-for-sale financial assets:	
- Unit trusts	240,078
- Controlled structured entities	1,435,780
	<u>1,675,858</u>

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**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 2020 (2019: 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 RM1,491,467,605 (2019: RM1,435,780,345) 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 (2019: 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

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.

	<u>2020</u> RM	<u>2019</u> RM
Number of wholesale unit trust fund	3	3
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund	1.0729	1.0609
Opus Specific Income Fund	1.0602	1.0568
Opus Low Risk Asset Fund	1.0757	1.0488
Fair value of underlying net assets:		
Corporate bonds	1,415,037,481	1,416,050,238
Deposits with licensed financial institutions	76,660,631	21,068,489
Cash equivalents	55,533	33,962
Payables	(286,040)	(1,372,344)
	<u>1,491,467,605</u>	<u>1,435,780,345</u>
Total fair value gain incurred for the financial year	<u>25,024,327</u>	<u>40,008,617</u>

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.

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8 REINSURANCE ASSETS

	Group / Company	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Reinsurance of insurance contracts (Note 14)	275,301	255,214
Allowance for impairment (Note 32)	<u>(4,560)</u>	<u>(4,472)</u>
	<u>270,741</u>	<u>250,742</u>

9 INSURANCE RECEIVABLES

	Group / Company	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	96,125	85,378
Due from reinsurers and cedants	<u>8,326</u>	<u>5,484</u>
	104,451	90,862
Allowance for impairment (Note 32)	<u>(5,336)</u>	<u>(4,569)</u>
	<u>99,115</u>	<u>86,293</u>

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 33 to the financial statements.

The significant related party balance as at the end of the financial year between the Company and its related parties on the insurance receivables is RM406,000 (2019: RM244,000) as disclosed in Note 30 (a) to the financial statements.

There are no financial liabilities that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2019: Nil).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Amortised cost</u>				
Fixed and call deposits with licensed financial institutions	510,246	360,458	433,589	339,392
Staff loans	965	1,233	965	1,233
Allowance for impairment	(63)	(66)	(63)	(66)
	902	1,167	902	1,167
	511,148	361,625	434,491	340,559
<u>Interest income receivable</u>				
Fixed and call deposits with licensed financial institutions	5,374	3,834	5,370	3,832
<u>Other receivables</u>				
Knock-for-knock claims recoveries	486	380	486	380
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	47,373	48,890	47,373	48,890
Other receivables	3,565	9,908	3,565	9,908
Prepayments	5,138	3,026	5,138	3,026
	56,562	62,204	56,562	62,204
Allowance for impairment	(4)	(45)	(4)	(45)
	56,558	62,159	56,558	62,159
	573,080	427,618	496,419	406,550
<u>Fair value</u>				
Fixed and call deposits with licensed financial institutions	515,620	364,292	438,959	343,224
Staff loans [net of impairment allowance of RM62,938 (2019: RM65,988)]	902	1,167	902	1,167
Other receivables	56,558	62,159	56,558	62,159
	573,080	427,618	496,419	406,550

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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 2020 is a net receivable of RM18,414,419 (2019: RM15,568,902) 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

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Ordinary share issued and fully paid:		
At 1 January / 31 December	<u>403,471</u>	<u>403,471</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

13 OTHER RESERVES

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revaluation reserves</u>				
At 1 January	4,916	4,916	4,916	4,916
Surplus arising during the financial year	2,280	-	2,280	-
At 31 December	<u>7,196</u>	<u>4,916</u>	<u>7,196</u>	<u>4,916</u>
<u>Available-for-sale reserves</u>				
At 1 January	20,144	(4,358)	56,169	25,751
Fair value gain arising during the financial year	26,206	29,914	18,665	29,631
Transfer to Income Statements	(17,989)	(5,412)	(501)	787
At 31 December	<u>28,361</u>	<u>20,144</u>	<u>74,333</u>	<u>56,169</u>
Total	<u>35,557</u>	<u>25,060</u>	<u>81,529</u>	<u>61,085</u>



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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES

<u>Group / Company</u>	2020			2019		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
Provision for outstanding claims	559,733	(135,309)	424,424	589,091	(129,187)	459,904
Provision for incurred but not reported claims ("IBNR")	318,207	(90,346)	227,861	248,478	(88,406)	160,072
Claims liabilities (i)	877,940	(225,655)	652,285	837,569	(217,593)	619,976
Premium liabilities (ii)	433,390	(49,646)	383,744	403,405	(37,621)	365,784
	<u>1,311,330</u>	<u>(275,301)</u>	<u>1,036,029</u>	<u>1,240,974</u>	<u>(255,214)</u>	<u>985,760</u>
 (i) Claims liabilities						
At 1 January	837,569	(217,593)	619,976	853,986	(209,631)	644,355
Claims incurred in the current accident year	383,369	(54,865)	328,504	506,717	(79,210)	427,507
Other movements in claims incurred in prior accident years	(15,268)	8,494	(6,774)	(9,531)	11,950	2,419
Movement of IBNR at 75% confidence level	69,729	(1,940)	67,789	4,248	(4,627)	(379)
Claims paid during the financial year	(397,459)	40,249	(357,210)	(517,851)	63,925	(453,926)
At 31 December	<u>877,940</u>	<u>(225,655)</u>	<u>652,285</u>	<u>837,569</u>	<u>(217,593)</u>	<u>619,976</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

<u>Group / Company</u>	2020			2019		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
(ii) Premium liabilities						
At 1 January	403,405	(37,621)	365,784	405,715	(32,935)	372,780
Premiums written in the year (Note 19)	880,052	(176,493)	703,559	872,016	(166,655)	705,361
Premiums earned during the financial year (Note 19)	(850,067)	164,468	(685,599)	(874,326)	161,969	(712,357)
At 31 December	<u>433,390</u>	<u>(49,646)</u>	<u>383,744</u>	<u>403,405</u>	<u>(37,621)</u>	<u>365,784</u>

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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	
	2020	2019
	RM'000	RM'000
Deferred tax liabilities	(15,873)	(8,353)
<u>Subject to income tax:</u>		
Deferred tax assets (before offsetting)		
- Insurance receivables	1,281	1,097
- Reinsurance assets	1,094	1,073
- Premium liabilities	-	67
- Other receivables	16	26
- Other payables	7,075	7,779
	9,466	10,042
Offsetting	(9,466)	(10,042)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	1,850	657
- Premium liabilities	16	-
- Financial assets at AFS	23,473	17,738
	25,339	18,395
Offsetting	(9,466)	(10,042)
Deferred tax liabilities (after offsetting)	15,873	8,353

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**15 DEFERRED TAXATION (CONTINUED)**

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

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
At 1 January	(8,353)	(3,353)	(8,353)	(3,353)
Credited to income statement (Note 26)				
- Insurance receivables	184	(1,176)	184	(1,176)
- Reinsurance assets	21	655	21	655
- Other receivables	(10)	8	(10)	8
- Other payables	(704)	2,880	(704)	2,880
- Property, plant and equipment	(473)	1,991	(473)	1,991
- Premium liabilities	(83)	248	(83)	248
- Financial assets at AFS	1,102	-	-	-
	<u>37</u>	<u>4,606</u>	<u>(1,065)</u>	<u>4,606</u>
Charged to equity:				
- Financial assets at AFS	(6,837)	(9,606)	(5,735)	(9,606)
- Property, plant and equipment	(720)	-	(720)	-
Total movement for the financial year	<u>(7,557)</u>	<u>(9,606)</u>	<u>(6,455)</u>	<u>(9,606)</u>
At 31 December	<u>(15,873)</u>	<u>(8,353)</u>	<u>(15,873)</u>	<u>(8,353)</u>

**16 OTHER FINANCIAL LIABILITIES**

	<u>Group / Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000
Deposits received from reinsurers	<u>19,049</u>	<u>11,754</u>

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

All amounts are payable within one year.

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17 **INSURANCE PAYABLES**

	<u>Group / Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000
Due to agents and intermediaries	29,162	21,127
Due to reinsurers and cedants	44,931	32,207
	<u>74,093</u>	<u>53,334</u>

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 33 to the financial statements.

The significant related party balance at the end of the financial year between the Company and its related parties on the insurance payables are RM32,010,000 (2019:RM19,931,000) as disclosed in Note 30 (a) 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 (2019: Nil).

18 **OTHER PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Lease liabilities	27,393	8,482	27,393	8,482
Asset restoration	2,991	3,060	2,991	3,060
Cash collaterals held on contract bonds	2,096	1,997	2,096	1,997
Payroll liabilities	25,269	28,764	25,269	28,764
Service tax payable	9,013	8,103	9,013	8,103
Deposit received from litigant	-	14,880	-	14,880
Provision of financial penalty (Note 37)	14,669	-	14,669	-
Other payables and accrued expenses	26,533	24,944	26,248	23,572
	<u>107,964</u>	<u>90,230</u>	<u>107,679</u>	<u>88,858</u>

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

The significant related party balance at the end of the financial year between the Company and its related parties on the other payables is RM1,161,000 (2019:RM2,528,000) as disclosed in Note 30 (a) to the financial statements.

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18 OTHER PAYABLES (CONTINUED)

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

	Group/Company	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Lease liabilities</u>		
Current	5,384	4,065
Non-current	22,009	4,417
	<u>27,393</u>	<u>8,482</u>

19 NET EARNED PREMIUMS

	Group / Company	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
(a) Gross earned premiums		
Insurance contracts (Note 14)	880,052	872,016
Change in gross premium liabilities	(29,985)	2,310
	<u>850,067</u>	<u>874,326</u>
(b) Premiums ceded to reinsurers		
Insurance contracts (Note 14)	(176,493)	(166,655)
Change in reinsurance premium liabilities	12,025	4,686
	<u>(164,468)</u>	<u>(161,969)</u>
Net earned premiums (Note 14)	<u>685,599</u>	<u>712,357</u>

20 INVESTMENT INCOME

	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
AFS financial assets:				
Interest income	59,848	60,994	-	-
Dividend income				
- Controlled structured entities	-	-	61,771	59,325
- Unit trusts	6,817	9,808	6,817	9,808
LAR financial assets – interest income	12,059	11,488	10,976	10,422
	<u>78,724</u>	<u>82,290</u>	<u>79,564</u>	<u>79,555</u>

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21 REALISED GAIN/(LOSS)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised gain	61	20	61	20
AFS financial assets:				
Realised gain/(loss):				
Corporate debt securities – unquoted in Malaysia	18,151	6,361	-	-
Unit trusts	(3)	(1,196)	660	(1,035)
	<u>18,209</u>	<u>5,185</u>	<u>721</u>	<u>(1,015)</u>

22 OTHER OPERATING INCOME/(EXPENSE)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Other Operating Income</u>				
Agency fees received	678	973	678	973
Other income	2,937	4,839	2,937	4,836
	<u>3,615</u>	<u>5,812</u>	<u>3,615</u>	<u>5,809</u>
<u>Other Operating Expense</u>				
Provision of financial penalty	(14,669)	-	(14,669)	-

23 FAIR VALUE LOSSES

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Financial investments - available-for-sale	(4,591)	-	-	-

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24 **MANAGEMENT EXPENSES**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Employee benefits expense (Note 24(a))	121,325	113,787	121,325	113,787
Directors' remuneration (Note 24(b))	438	349	438	349
Auditors' remuneration:				
- statutory audit	345	319	345	319
- other services	201	237	201	237
Depreciation of property, plant and equipment	8,118	5,987	8,118	5,987
Depreciation of ROU assets	7,298	6,533	7,298	6,533
Allowance for/(write back of) impairment:				
- Reinsurance assets	88	2,726	88	2,726
- Insurance receivables	767	(4,900)	767	(4,900)
- Loans and receivables	(44)	(15)	(44)	(15)
Bad debts written (back)/off	(14,922)	421	(14,922)	421
Rental of office premises	1,743	2,292	1,743	2,292
Entertainment	16,597	17,709	16,597	17,709
Training expenses	912	3,168	912	3,168
Management fees*	2,288	4,323	2,288	4,323
Repairs and maintenance	1,818	1,807	1,818	1,807
Motor vehicle expenses	3,032	3,667	3,032	3,667
Travelling	245	955	245	955
Advertising	568	2,074	568	2,074
Printing and stationery	5,103	4,621	5,103	4,621
Postage and telephone	1,425	1,366	1,425	1,366
Electronic data processing expenses	20,497	12,868	20,497	12,868
Bank collection charges	5,985	6,360	5,985	6,360
Other expenses	10,407	11,252	7,195	8,230
	<u>194,234</u>	<u>197,906</u>	<u>191,022</u>	<u>194,884</u>

\* Included in management fees are management fees payable/paid to related parties of RM822,364 (2019: RM1,708,901) as disclosed in Note 30 (a) to the financial statements.



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24 **MANAGEMENT EXPENSES (CONTINUED)**

(a) Employee benefits expense

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Staff salary and bonus	103,351	95,393
Social security contributions	704	710
Contributions to Employees' Provident Fund	13,517	13,167
Other benefits	3,753	4,517
	<u>121,325</u>	<u>113,787</u>

(b) Directors' remuneration

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

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Executive:		
Fee	-	33
Other benefits	-	1
	<u>-</u>	<u>34</u>
Non-Executive:		
Fees	420	300
Other benefits	18	15
	<u>438</u>	<u>315</u>
	<u>438</u>	<u>349</u>
Represented by:		
Directors' fees	420	333
Amount included in employee benefits expense	18	16
	<u>438</u>	<u>349</u>

The estimated cash value of benefits-in-kind provided to the Directors of the Group and the Company amounted to RM Nil (2019: RM Nil).

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 RM1,866,000 (2019: RM1,729,494).

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

<u>Group / Company</u>	<u>Number of Directors</u>	
	<u>2020</u>	<u>2019</u>
Executive Directors		
Below RM50,000	-	1
Non-Executive Directors		
Below RM50,000	-	-
	<u>-</u>	<u>-</u>

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24 MANAGEMENT EXPENSES (CONTINUED)

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

	<u>Fee</u> RM'000	<u>Salaries</u> RM'000	<u>Bonus</u> RM'000	<u>Other emoluments</u> RM'000	<u>Benefits-in-kind</u> RM'000	<u>Total</u> RM'000
<u>2020</u>						
Chief Executive Officer						
- Ng Hang Ming	-	1,080	511	240	35	1,866
Executive Director						
- Tham Saloon	-	-	-	-	-	-
Non-Executive Directors						
- Dato' Zainal Abidin Bin Putih	170	-	-	6	-	176
- Yeoh Chong Keng	125	-	-	6	-	131
- Yip Jian Lee	125	-	-	6	-	131
	<u>420</u>	<u>1,080</u>	<u>511</u>	<u>258</u>	<u>35</u>	<u>2,304</u>
<u>2019</u>						
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
	<u>333</u>	<u>1,080</u>	<u>389</u>	<u>238</u>	<u>38</u>	<u>2,078</u>

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25 FINANCE COSTS

	Group / Company	
	<u>2020</u> RM'000	<u>2019</u> RM'000
Interest on lease liabilities	874	559

26 TAXATION

	Group		Company	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Current income tax:				
Current financial year	16,143	12,038	16,143	12,038
Overprovision in prior financial years	(217)	(2,343)	(217)	(2,343)
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(37)	(4,606)	1,065	(4,606)
	<u>15,889</u>	<u>5,089</u>	<u>16,991</u>	<u>5,089</u>

The income taxes for the Group and the Company are calculated based on the tax rate of 24% (2019: 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	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Profit before tax	<u>129,607</u>	<u>122,607</u>	<u>120,762</u>	<u>116,691</u>
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	31,106	29,426	28,983	28,006
Income not subject to tax	(20,457)	(18,599)	(17,232)	(17,179)
Expenses not deductible for tax purposes	5,457	1,681	5,457	1,681
Recognition of previously unrecognised deferred tax	-	(5,076)	-	(5,076)
Overprovision in prior years	(217)	(2,343)	(217)	(2,343)
Tax expense for the year	<u>15,889</u>	<u>5,089</u>	<u>16,991</u>	<u>5,089</u>

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27 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.

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders	<u>113,718</u>	<u>117,518</u>	<u>103,771</u>	<u>111,602</u>
Weighted average number of shares in issue	<u>403,471</u>	<u>403,471</u>	<u>403,471</u>	<u>403,471</u>
Basic earnings per share (sen)	<u>28</u>	<u>29</u>	<u>26</u>	<u>28</u>

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.

28 DIVIDENDS

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Final single-tier dividend	<u>55,801</u>	<u>66,210</u>
Dividend rate (%)	<u>13.83</u>	<u>16.41</u>
Dividend per share (sen)	<u>0.1383</u>	<u>0.1641</u>

The Company has received Bank Negara Malaysia's approval for the distribution of interim dividend of RM55,800,920 in respect of the financial year ended 31 December 2020. Dividend payment after the date of this report will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2021.

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29 CAPITAL COMMITMENTS

	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Capital expenditure</u>		
Approved but not contracted for:		
Renovation	-	11,000
	<u>-</u>	<u>11,000</u>

30 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and the Company as at 31 December 2020, are as follows:

<u>Related parties</u>	<u>Country of incorporation</u>	<u>Relationship</u>
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)	<u>Group / Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Transactions with immediate holding corporation:		
Expenses recharge*	(570)	(1,127)
Risk management fees paid*	(109)	(451)
Directors' remuneration	-	(34)
Expatriates remuneration	(724)	(738)
Recruitment and placement fee	(41)	(856)
Others	<u>(317)</u>	<u>(607)</u>

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30 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	
	2020 RM'000	2019 RM'000
Transactions with penultimate holding corporation:		
Premium ceded	(25,706)	(23,512)
Claims recoveries and paid	4,537	10,992
Commission received	5,075	4,546
Agency fees received	598	890
Expatriates remuneration	(3,098)	(2,915)
Interest expenses on treaty withheld	(6)	(9)
Others	(3)	-

Transactions with other related corporations:

2020	Asia	Europe	North America	Total
	RM'000	RM'000	RM'000	RM'000
Premium ceded	(10,528)	(187)	-	(10,715)
Claims recoveries and paid	2,510	23	-	2,533
Commission received	1,941	27	-	1,968
Agency fees received	75	-	4	79
Rental paid	(526)	-	-	(526)
Risk management fees paid*	(113)	-	-	(113)
Others	(104)	-	-	(104)
Interest expenses on treaty withheld	(68)	-	-	(68)
Expatriates remuneration	(562)	-	-	(562)

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)

\*Included are management fees paid/payable to related parties as disclosed in Note 24.

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30 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	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Insurance receivables</u>		
Claim recoveries due from related corporations	<u>406</u>	<u>244</u>
<u>Insurance payables</u>		
Reinsurance premiums due to penultimate holding corporation	(26,838)	(13,647)
Reinsurance premiums due to related corporations	<u>(5,172)</u>	<u>(6,284)</u>
Other payable due to immediate holding corporation	<u>(1,148)</u>	<u>(2,529)</u>
Other (payable)/receivable due to related corporation	<u>(13)</u>	<u>1</u>

- (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	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Salary	8,073	7,086
Bonus	2,237	1,657
Defined contribution plan	1,286	1,081
Other benefits	<u>1,100</u>	<u>1,116</u>
	<u>12,696</u>	<u>10,940</u>

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 RM Nil (2019: RM Nil).

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31 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:

<u>Group / Company</u>	<u>31 December 2020</u>			<u>31 December 2019</u>		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
Motor	520,009	(42,754)	477,255	523,849	(44,635)	479,214
Fire	146,191	(100,411)	45,780	117,239	(82,597)	34,642
Marine, Aviation and Transit	35,269	(11,137)	24,132	39,229	(14,532)	24,697
Miscellaneous	176,471	(71,353)	105,118	157,252	(75,829)	81,423
	<u>877,940</u>	<u>(225,655)</u>	<u>652,285</u>	<u>837,569</u>	<u>(217,593)</u>	<u>619,976</u>



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31 **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.

The valuation of claims and premium liabilities as at 31 December 2020 have taken into account the Covid-19 impact.

**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.

<u>Group / Company</u>	<u>Change in assumptions</u>	<u>Impact on gross liabilities</u> RM'000	<u>Impact on net liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<b>31 December 2020</b>					
<u>Claim Liability</u>					
IELR in the last accident year	+10%	47,766	37,511	(37,511)	(28,508)
	-10%	(47,766)	(37,511)	37,511	28,508
First incurred development factor	+10%	12,602	12,300	(12,300)	(9,348)
	-10%	(12,602)	(12,300)	12,300	9,348
Claim handling expenses	+1%	6,077	6,010	(6,010)	(4,568)
	-1%	(6,077)	(6,010)	6,010	4,568
Provision for Adverse Deviation	+5%	31,521	23,745	(23,745)	(18,047)
	-5%	(31,521)	(23,745)	23,745	18,047

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31 **INSURANCE RISK (CONTINUED)**

**Sensitivity analysis (continued)**

<u>Group / Company</u>	<u>Change in assumptions</u>	<u>Impact on gross liabilities</u> RM'000	<u>Impact on net liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<b>31 December 2020</b>					
<u>Premium Liability</u>					
URR Loss Ratio	+10%	39,221	33,050	(33,050)	(25,118)
	-10%	(39,221)	(33,050)	33,050	25,118
Maintenance Expense Ratio	+3%	13,188	12,907	(12,907)	(9,809)
	-3%	(13,188)	(12,907)	12,907	9,809
Provision for Adverse Deviation	+5%	15,267	13,899	(13,899)	(10,563)
	-5%	(15,267)	(13,899)	13,899	10,563
<b>31 December 2019</b>					
<u>Claim Liability</u>					
IELR in the last accident year	+10%	51,971	40,554	(40,554)	(30,821)
	-10%	(51,971)	(40,528)	40,528	30,801
First incurred development factor	+10%	14,700	14,894	(14,894)	(11,320)
	-10%	(14,700)	(14,880)	14,880	11,309
Claim handling expenses	+1%	5,765	5,691	(5,691)	(4,325)
	-1%	(5,765)	(5,691)	5,691	4,325
Provision for Adverse Deviation	+5%	29,746	22,382	(22,382)	(17,010)
	-5%	(29,746)	(22,382)	22,382	17,010
<u>Premium Liability</u>					
URR Loss Ratio	+10%	36,597	31,675	(31,675)	(24,073)
	-10%	(24,773)	(31,675)	31,675	24,073
Maintenance Expense Ratio	+3%	13,166	12,741	(12,741)	(9,683)
	-3%	(13,166)	(12,741)	12,741	9,683
Provision for Adverse Deviation	+5%	14,114	13,222	(13,222)	(10,048)
	-5%	(14,114)	(13,222)	13,222	10,048

**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.

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31 INSURANCE RISK (CONTINUED)

**Gross General Insurance Claims Liabilities for 2020:**

<u>Group / Company</u>	<u>Prior</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Accident year</b>									
At end of accident year		712,405	777,482	700,637	814,626	655,991	587,431	514,209	
One year later		650,872	713,282	656,424	775,203	598,625	553,704		
Two years later		611,797	690,390	637,667	771,843	584,165			
Three years later		601,405	699,768	633,502	764,147				
Four years later		587,549	690,538	628,402					
Five years later		584,014	687,808						
Six years later		577,832							
<b>Current estimate of cumulative claims incurred</b>		577,832	687,808	628,402	764,147	584,165	553,704	514,209	4,310,267
At end of accident year		253,193	276,527	322,983	379,658	305,656	251,841	191,058	
One year later		469,620	586,525	518,943	608,006	457,665	387,014		
Two years later		539,083	632,978	567,346	670,140	496,903			
Three years later		556,417	652,166	588,332	697,881				
Four years later		565,800	665,292	601,238					
Five years later		568,784	670,569						
Six years later		569,579							
<b>Current payments to-date</b>		569,579	670,569	601,238	697,881	496,903	387,014	191,058	3,614,242
<b>Direct and facultative inwards</b>	21,160	8,253	17,239	27,164	66,266	87,262	166,690	323,151	717,185
<b>Treaty Inwards</b>									2,991
<b>MMIP</b>									27,215
									747,391
									21,489
									109,060
									877,940
									Best estimate of claim liabilities
									Claim handling expenses
									Fund PRAD at 75% Confidence Interval
									Gross general insurance claims liabilities

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31 **INSURANCE RISK (CONTINUED)**

**Gross General Insurance Claims Liabilities for 2019:**

<u>Group / Company</u>	<u>Prior</u> RM'000	<u>2013</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>Total</u> RM'000
<b>Accident year</b>									
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							
<b>Current estimate of cumulative claims incurred</b>		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							
<b>Current payments to-date</b>		573,949	568,784	665,292	588,332	670,140	457,665	251,841	3,776,003
<b>Direct and facultative inwards</b>	10,106	4,591	15,230	25,246	45,170	101,703	140,960	335,590	678,596
<b>Treaty Inwards</b>									3,511
<b>MMIP</b>									30,996
									713,103
									17,809
									106,657
									837,569
									Best estimate of claim liabilities
									Claim handling expenses
									Fund PRAD at 75% Confidence Interval
									Gross general insurance claims liabilities

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31 INSURANCE RISK (CONTINUED)

**Net General Insurance Claims Liabilities for 2020:**

<u>Group / Company</u>	<u>Prior</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>Total</u> RM'000
<b>Accident year</b>									
At end of accident year		521,767	551,103	612,038	684,740	567,787	481,878	430,252	
One year later		501,450	545,923	594,500	668,677	538,261	455,322		
Two years later		487,616	531,029	581,096	661,317	534,314			
Three years later		481,593	528,782	576,520	659,239				
Four years later		475,430	523,195	571,886					
Five years later		472,565	521,284						
Six years later		467,756							
<b>Current estimate of cumulative claims incurred</b>		467,756	521,284	571,886	659,239	534,314	455,322	430,252	3,640,053
At end of accident year		234,572	250,395	307,481	353,509	289,635	232,048	174,369	
One year later		398,828	446,874	480,254	532,026	424,422	345,140		
Two years later		440,356	485,594	523,678	582,893	458,860			
Three years later		453,518	500,276	541,878	604,838				
Four years later		459,514	509,042	550,000					
Five years later		462,525	511,202						
Six years later		463,286							
<b>Current payments to-date</b>		463,286	511,202	550,000	604,838	458,860	345,140	174,369	3,107,695
<b>Direct and facultative inward</b>	1,877	4,470	10,082	21,886	54,401	75,454	110,182	255,883	534,235
<b>Treaty Inwards</b>									2,991
<b>MMIP</b>									27,215
									564,441
									21,489
									66,355
									652,285
									Best estimate of claim liabilities
									Claim handling expenses
									Fund PRAD at 75% Confidence Interval
									Net general insurance claims liabilities

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31 INSURANCE RISK (CONTINUED)

**Net General Insurance Claims Liabilities for 2019:**

<u>Group / Company</u>	<u>Prior</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Accident year</b>									
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							
<b>Current estimate of cumulative claims incurred</b>		<u>452,845</u>	<u>472,565</u>	<u>523,195</u>	<u>576,520</u>	<u>661,317</u>	<u>538,261</u>	<u>481,878</u>	<u>3,706,581</u>
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							
<b>Current payments to-date</b>		<u>450,345</u>	<u>462,525</u>	<u>509,042</u>	<u>541,878</u>	<u>582,893</u>	<u>424,422</u>	<u>232,048</u>	<u>3,203,153</u>
<b>Direct and facultative inward</b>	1,878	2,500	10,040	14,153	34,642	78,424	113,839	249,830	505,306
<b>Treaty Inwards</b>									3,511
<b>MMIP</b>									30,996
									<u>539,813</u>
									17,809
									62,354
									<u>619,976</u>
									Best estimate of claim liabilities
									Claim handling expenses
									Fund PRAD at 75% Confidence Interval
									Net general insurance claims liabilities

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**32 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 consider 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:

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
LAR (excluding insurance receivables)	10				
- Staff loans		902	1,167	902	1,167
- Fixed and call deposits		515,620	364,292	438,959	343,224
- Other receivables*		51,420	59,133	51,420	59,133
AFS financial assets	6(a)				
- Malaysian Government Securities		159,094	122,943	-	-
- Government Investment Issues		91,301	115,274	-	-
- Corporate debt securities		1,164,642	1,177,833	-	-
- Unit trusts		210,474	240,078	1,701,942	1,675,858
Reinsurance assets - claim liabilities		221,095	213,121	221,095	213,121
Insurance receivables	9	99,115	86,293	99,115	86,293
Cash and bank balances		40,806	25,906	40,751	25,872
		<u>2,554,469</u>	<u>2,406,040</u>	<u>2,554,184</u>	<u>2,404,668</u>

\* Excluding prepayment

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32 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.

<u>Group</u>	<u>Neither past-due nor impaired</u>		<u>Past-due but not impaired</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
	<u>Investment grade</u> RM'000	<u>Non-investment grade: satisfactory</u> RM'000			
<b>31 December 2020</b>					
LAR					
- Staff loans	-	902	-	63	965
- Fixed and call deposits	515,620	-	-	-	515,620
- Other receivables	-	51,420	-	4	51,424
AFS financial assets					
- Malaysian Government Securities	-	159,094	-	-	159,094
- Government Investment Issues	-	91,301	-	-	91,301
- Corporate debt securities	620,592	544,050	-	4,591	1,169,233
- Unit trust funds	-	210,474	-	-	210,474
Reinsurance assets-claim liabilities					
Insurance receivables	-	221,095	-	4,560	225,655
Cash and bank balances	-	86,316	12,799	5,336	104,451
Allowance for impairment	-	40,806	-	-	40,806
	-	-		(14,554)	(14,554)
	<u>1,136,212</u>	<u>1,405,458</u>	<u>12,799</u>	<u>-</u>	<u>2,554,469</u>
<b>31 December 2019</b>					
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					
Insurance receivables	-	213,121	-	4,472	217,593
Cash and bank balances	-	73,108	13,185	4,569	90,862
Allowance for impairment	-	25,906	-	-	25,906
	-	-		(9,152)	(9,152)
	<u>1,087,315</u>	<u>1,305,540</u>	<u>13,185</u>	<u>-</u>	<u>2,406,040</u>



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32 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)

<u>Company</u>	<u>Neither past-due nor impaired</u>		<u>Past-due but not impaired</u> RM'000	<u>Impaired</u> RM'000	<u>Total</u> RM'000
	<u>Investment grade</u> RM'000	<u>Non-investment grade: satisfactory</u> RM'000			
<b>31 December 2020</b>					
LAR					
- Staff loans	-	902	-	63	965
- Fixed and call deposits	438,959	-	-	-	438,959
- Other receivables	-	51,420	-	4	51,424
AFS financial assets					
- Unit trust funds	620,592	1,081,350	-	-	1,701,942
Reinsurance assets-claim liabilities					
	-	221,095	-	4,560	225,655
Insurance receivables	-	86,316	12,799	5,336	104,451
Cash and bank balances	-	40,751	-	-	40,751
Allowance for impairment	-	-	-	(9,963)	(9,963)
	<u>1,059,551</u>	<u>1,481,834</u>	<u>12,799</u>	<u>-</u>	<u>2,554,184</u>
<b>31 December 2019</b>					
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)
	<u>1,066,247</u>	<u>1,325,236</u>	<u>13,185</u>	<u>-</u>	<u>2,404,668</u>

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.

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32 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.

<u>Group</u>	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Total</u> RM'000
<b>31 December 2020</b>						
LAR						
Staff loans	-	-	-	-	902	902
Fixed and call deposits	224,169	200,212	91,239	-	-	515,620
Other receivables	-	-	-	-	51,420	51,420
AFS financial assets						
Malaysian Government Securities	-	-	-	-	159,094	159,094
Government Investment Issues	-	-	-	-	91,301	91,301
Corporate debt securities	221,601	380,382	5,158	13,451	544,050	1,164,642
Unit trust funds	-	-	-	-	210,474	210,474
Reinsurance assets-claims liabilities	-	29,652	71,217	-	120,226	221,095
Insurance receivables	-	1,432	4,420	-	93,263	99,115
Cash and bank balances	34,350	3,683	2,695	-	78	40,806
	<u>480,120</u>	<u>615,361</u>	<u>174,729</u>	<u>13,451</u>	<u>1,270,808</u>	<u>2,554,469</u>

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32 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)

<u>Group</u>	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Total</u> RM'000
<b>31 December 2019</b>						
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
	<u>407,565</u>	<u>586,093</u>	<u>160,385</u>	<u>58,360</u>	<u>1,193,637</u>	<u>2,406,040</u>

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32 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)

<u>Company</u>	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Total</u> RM'000
<b>31 December 2020</b>						
LAR						
Staff loans	-	-	-	-	902	902
Fixed and call deposits	147,508	200,212	91,239	-	-	438,959
Other receivables	-	-	-	-	51,420	51,420
AFS financial assets						
Unit trust funds	-	-	-	-	1,701,942	1,701,942
Reinsurance assets-claims liabilities	-	29,652	71,217	-	120,226	221,095
Insurance receivables	-	1,432	4,420	-	93,263	99,115
Cash and bank balances	34,350	3,683	2,696	-	22	40,751
	<u>181,858</u>	<u>234,979</u>	<u>169,572</u>	<u>-</u>	<u>1,967,775</u>	<u>2,554,184</u>

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32 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)

<u>Company</u>	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Total</u> RM'000
<b>31 December 2019</b>						
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
	<u>160,624</u>	<u>119,762</u>	<u>129,566</u>	<u>58,360</u>	<u>1,936,356</u>	<u>2,404,668</u>

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32 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.

<u>Group</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2020</b>						
Investment grade	445,770	580,594	96,397	13,451	-	1,136,212
Non-investment grade:						
Satisfactory	34,350	34,750	77,687	-	1,258,671	1,405,458
Past-due but not impaired	-	17	645	-	12,137	12,799
	<u>480,120</u>	<u>615,361</u>	<u>174,729</u>	<u>13,451</u>	<u>1,270,808</u>	<u>2,554,469</u>
<b>31 December 2019</b>						
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
	<u>407,565</u>	<u>586,093</u>	<u>160,385</u>	<u>58,360</u>	<u>1,193,637</u>	<u>2,406,040</u>

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32 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)

<u>Company</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2020</b>						
Investment grade	147,508	200,212	91,239	-	620,592	1,059,551
Non-investment grade						
Satisfactory	34,350	34,750	77,688	-	1,335,046	1,481,834
Past-due but not impaired	-	17	645	-	12,137	12,799
	<u>181,858</u>	<u>234,979</u>	<u>169,572</u>	<u>-</u>	<u>1,967,775</u>	<u>2,554,184</u>
<b>31 December 2019</b>						
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
	<u>160,624</u>	<u>119,762</u>	<u>129,566</u>	<u>58,360</u>	<u>1,936,356</u>	<u>2,404,668</u>

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.

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32 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\***

<u>Group / Company</u>	<u>&lt; 30</u> days	<u>31 to 60</u> days	<u>61 to 90</u> days	<u>91 to 180</u> days	<u>&gt; 180</u> days	<u>Total</u>
<b>31 December 2020</b>						
Insurance receivables (RM'000)	<u>6,189</u>	<u>3,731</u>	<u>1,208</u>	<u>2,703</u>	<u>(1,032)</u>	<u>12,799</u>
<b>31 December 2019</b>						
Insurance receivables (RM'000)	<u>7,213</u>	<u>3,574</u>	<u>1,234</u>	<u>2,804</u>	<u>(1,640)</u>	<u>13,185</u>

\* 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.



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32 **FINANCIAL RISK (CONTINUED)**

**Impaired financial assets**

At 31 December 2020, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM5,336,000 (2019: RM4,569,000) and claim recoverable of RM4,560,000 (2019: RM4,472,000). For assets to be classified as “past-due and impaired”, contractual payments must be in arrears between twelve (12) to twenty four (24) months or prolonged declined in fair value and deterioration in credit rating of issuer of financial instruments. 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, insurance receivables and investments in separate “Allowance for Impairment” accounts. A reconciliation of the allowance for impairment losses for loans and receivables, claim recoverable, insurance receivables and investments is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	9,152	11,341	9,152	11,341
Charge for the financial year				
- Reinsurance assets	88	2,726	88	2,726
- Insurance receivables	1,053	1,455	1,053	1,455
- Investments	4,591	-	-	-
Recoveries				
- Loans and receivables	(44)	(15)	(44)	(15)
- Insurance receivables	(286)	(6,355)	(286)	(6,355)
At 31 December	14,554	9,152	9,963	9,152

**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.

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32 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.

<u>Group</u>	<u>Carrying value</u> RM'000	<u>No maturity date</u> RM'000	<u>Contractual Cash Flow (undiscounted)</u>				<u>Total</u> RM'000
			<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>5 – 15 years</u> RM'000	
<b>31 December 2020</b>							
Financial investments:							
AFS	1,625,511	210,474	15,655	575,606	302,493	755,068	1,859,296
Reinsurance assets – claims liabilities	221,095	-	151,587	56,218	11,329	1,961	221,095
Insurance receivables	99,115	-	99,115	-	-	-	99,115
LAR (excluding insurance receivables)	567,942	-	567,346	360	195	141	568,042
Cash and bank balances	40,806	40,806	-	-	-	-	40,806
<b>Total financial assets</b>	<b>2,554,469</b>	<b>251,280</b>	<b>833,703</b>	<b>632,184</b>	<b>314,017</b>	<b>757,170</b>	<b>2,788,354</b>
General insurance claims Liabilities	877,940	-	556,301	267,224	47,336	7,079	877,940
Other financial liabilities	19,049	-	19,049	-	-	-	19,049
Insurance payables	74,093	-	74,093	-	-	-	74,093
Other payables	80,571	-	78,188	430	199	2,250	81,067
Lease liabilities	27,393	-	6,419	9,960	11,794	2,403	30,576
<b>Total financial liabilities</b>	<b>1,079,046</b>	<b>-</b>	<b>734,050</b>	<b>277,614</b>	<b>59,329</b>	<b>11,732</b>	<b>1,082,725</b>

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32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

<u>Group</u>	<u>Carrying value</u> RM'000	<u>No maturity date</u> RM'000	<u>Contractual Cash Flow (undiscounted)</u>				<u>Total</u> RM'000
			<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>5 – 15 years</u> RM'000	
<b>31 December 2019</b>							
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
<b>Total financial assets</b>	<b>2,406,040</b>	<b>265,984</b>	<b>673,570</b>	<b>510,837</b>	<b>552,706</b>	<b>683,227</b>	<b>2,686,324</b>
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
<b>Total financial liabilities</b>	<b>992,887</b>	<b>-</b>	<b>679,242</b>	<b>258,534</b>	<b>48,908</b>	<b>6,996</b>	<b>993,680</b>

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32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

<u>Company</u>	<u>Carrying value</u> RM'000	<u>No maturity date</u> RM'000	<u>Contractual Cash Flow (undiscounted)</u>				<u>Total</u> RM'000
			<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>5 – 15 years</u> RM'000	
<b>31 December 2020</b>							
Financial investments:							
AFS	1,701,942	1,701,942	-	-	-	-	1,701,942
Reinsurance assets – claims liabilities	221,095	-	151,587	56,218	11,329	1,961	221,095
Insurance receivables	99,115	-	99,115	-	-	-	99,115
LAR (excluding insurance receivables)	491,281	-	490,686	360	195	141	491,382
Cash and bank balances	40,751	40,751	-	-	-	-	40,751
<b>Total financial assets</b>	<b>2,554,184</b>	<b>1,742,693</b>	<b>741,388</b>	<b>56,578</b>	<b>11,524</b>	<b>2,102</b>	<b>2,554,285</b>
General insurance claims liabilities							
liabilities	877,940	-	556,301	267,224	47,336	7,079	877,940
Other financial liabilities	19,049	-	19,049	-	-	-	19,049
Insurance payables	74,093	-	74,093	-	-	-	74,093
Other payables	80,286	-	77,902	430	199	2,250	80,781
Lease liabilities	27,393	-	6,419	9,960	11,794	2,403	30,576
<b>Total financial liabilities</b>	<b>1,078,761</b>	<b>-</b>	<b>733,764</b>	<b>277,614</b>	<b>59,329</b>	<b>11,732</b>	<b>1,082,439</b>

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32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

<u>Company</u>	<u>Carrying value</u> RM'000	<u>No maturity date</u> RM'000	<u>Contractual Cash Flow (undiscounted)</u>				<u>Total</u> RM'000
			<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>5 – 15 years</u> RM'000	
<b>31 December 2019</b>							
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
<b>Total financial assets</b>	<b>2,404,668</b>	<b>1,701,730</b>	<b>635,301</b>	<b>54,419</b>	<b>11,265</b>	<b>2,175</b>	<b>2,404,890</b>
General insurance claims liabilities							
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
<b>Total financial liabilities</b>	<b>991,515</b>	<b>-</b>	<b>677,870</b>	<b>258,534</b>	<b>48,908</b>	<b>6,996</b>	<b>992,308</b>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

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

<u>Group</u>	<u>Current*</u> RM'000	<u>Non-current</u> RM'000	<u>Total</u> RM'000
<b><u>31 December 2020</u></b>			
Property, plant and equipment	-	56,842	56,842
Intangible assets	-	179,943	179,943
Investments:			
- AFS	74,462	1,551,049	1,625,511
Reinsurance assets	201,233	69,508	270,741
Insurance receivables	99,115	-	99,115
Loans and receivables (excluding insurance receivables)	567,346	5,734	573,080
Cash and bank balances	40,806	-	40,806
<b>Total assets</b>	<b>982,962</b>	<b>1,863,076</b>	<b>2,846,038</b>
Insurance contract liabilities	989,691	321,639	1,311,330
Deferred tax liabilities	15,873	-	15,873
Tax payable	2,640	-	2,640
Other financial liabilities	19,049	-	19,049
Insurance payables	74,093	-	74,093
Other payables	83,467	24,497	107,964
<b>Total liabilities</b>	<b>1,184,813</b>	<b>346,136</b>	<b>1,530,949</b>

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

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32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

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

<u>Group</u>	<u>Current*</u> RM'000	<u>Non-current</u> RM'000	<u>Total</u> RM'000
<b><u>31 December 2019</u></b>			
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)	368,548	59,070	427,618
Cash and bank balances	25,906	-	25,906
<b>Total assets</b>	<b>738,248</b>	<b>1,914,214</b>	<b>2,652,462</b>
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
<b>Total liabilities</b>	<b>1,091,751</b>	<b>314,036</b>	<b>1,405,787</b>

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

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

<u>Company</u>	<u>Current*</u> RM'000	<u>Non-current</u> RM'000	<u>Total</u> RM'000
<b><u>31 December 2020</u></b>			
Property, plant and equipment	-	56,842	56,842
Intangible assets	-	179,943	179,943
Investments:			
- AFS	-	1,701,942	1,701,942
Reinsurance assets	201,233	69,508	270,741
Insurance receivables	99,115	-	99,115
Loans and receivables (excluding insurance receivables)	490,685	5,734	496,419
Cash and bank balances	40,751	-	40,751
<b>Total assets</b>	<b>831,784</b>	<b>2,013,969</b>	<b>2,845,753</b>
Insurance contract liabilities	989,691	321,639	1,311,330
Deferred tax liabilities	15,873	-	15,873
Tax payable	2,640	-	2,640
Other financial liabilities	19,049	-	19,049
Insurance payables	74,093	-	74,093
Other payables	83,182	24,497	107,679
<b>Total liabilities</b>	<b>1,184,528</b>	<b>346,136</b>	<b>1,530,664</b>

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



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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISK (CONTINUED)

**Liquidity risk (continued)**

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

<u>Company</u>	<u>Current*</u> RM'000	<u>Non-current</u> RM'000	<u>Total</u> RM'000
<b><u>31 December 2019</u></b>			
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
<b>Total assets</b>	<b>643,634</b>	<b>2,007,456</b>	<b>2,651,090</b>
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
<b>Total liabilities</b>	<b>1,090,379</b>	<b>314,036</b>	<b>1,404,415</b>

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

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32 **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 Group and 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:

<u>Group</u>	Impact on profit <u>before tax</u> RM'000	Impact on profit <u>after tax/ equity*</u> RM'000
<b><u>31 December 2020</u></b>		
Change in interest rates		
+ 50 basis points	8,966	6,814
- 50 basis points	(8,966)	(6,814)
<b><u>31 December 2019</u></b>		
Change in interest rates		
+ 50 basis points	8,458	6,428
- 50 basis points	(8,458)	(6,428)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

32 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)

<u>Company</u>	Impact on profit <u>before tax</u> RM'000	Impact on profit <u>after tax/ equity*</u> RM'000
<b><u>31 December 2020</u></b>		
Change in interest rates		
+ 50 basis points	1,932	1,469
- 50 basis points	(1,932)	(1,469)
<b><u>31 December 2019</u></b>		
Change in interest rates		
+ 50 basis points	1,539	1,170
- 50 basis points	(1,539)	(1,170)

\* 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.

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32 **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 After 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 After 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting.

	Group / Company	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Gross amounts of recognised - insurance receivables	105,302	86,550
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	<u>(6,187)</u>	<u>(257)</u>
Net amounts of insurance receivables presented in the statements of financial position	<u>99,115</u>	<u>86,293</u>

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Gross amounts of recognised - insurance payables	80,280	53,591
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	<u>(6,187)</u>	<u>(257)</u>
Net amounts of insurance payables presented in the statements of financial position	<u>74,093</u>	<u>53,334</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 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 2020, as prescribed under the Framework, is provided below:

		Company	
	Note	2020	2019
		RM'000	RM'000
<u>Eligible Tier 1 Capital</u>			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		830,089	782,119
		<u>1,233,560</u>	<u>1,185,590</u>
<u>Tier 2 Capital</u>			
Available-for-sale reserves	13	74,333	56,169
Revaluation reserves	13	7,196	4,916
		<u>81,529</u>	<u>61,085</u>
Amounts deducted from Capital		<u>(179,943)</u>	<u>(179,943)</u>
Total Capital Available		<u>1,135,146</u>	<u>1,066,732</u>

The Company has met the minimum capital requirements specified in the Framework for the financial years ended 2020 and 2019.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**35 CHANGES IN ACCOUNTING POLICIES UPON EARLY ADOPTION OF THE AMENDMENTS TO MFRS 16 "COVID-19 RELATED RENT CONCESSIONS"**

During the financial year, as a result of Covid-19 pandemic, the Group and the Company have received rent concessions.

The Group and the Company have applied the practical expedient to all rent concessions that meet the condition of the MFRS 16 amendments.

The amount recognised in the Group's and the Company's income statements to reflect changes in lease payments that arise from rent concession to which the Group and the Company have applied the practical expedient is RM38,856. The lease liability is reduced by RM38,856.

**Changes in liabilities arising from financing activities**

	<u>Group / Company</u>
	RM'000
As at 1 January 2020	8,482
Cash outflows	(6,688)
Non-cash changes:	
- Interest charge	874
- New leases	<u>24,725</u>
As at 31 December 2020	<u>27,393</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” (“THE AMENDMENTS”)

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 and the Company qualify for the temporary exemption approach.

Amendments to MFRS 4 “Extension of the temporary exemption from applying MFRS 9” extend the expiry date for the temporary exemption from applying MFRS 9 by two years.

Management has decided to apply the extension of the temporary exemption from MFRS 9 for the current financial year and will adopt MFRS 9 for its annual period beginning 1 January 2023.



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**36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” (“THE AMENDMENTS”) (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’s 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”).

<u>Group</u>	<u>Note</u>	<u>Fair value as at 31.12.2020 RM'000</u>	<u>Fair value as at 31.12.2019 RM'000</u>	<u>Changes in fair value 2020</u>	<u>Changes in fair value 2019</u>	<u>Cash flows characteristic</u>
<b>Financial assets</b>						
Malaysian Government Securities	6(c)	159,094	122,943	(1,333)	3,923	SPPI
Government Investment Issues	6(c)	91,301	115,274	(955)	2,630	SPPI
Corporate debt securities	6(c)	1,164,642	1,177,833	13,876	27,540	SPPI
Unit trusts	6(c)	210,474	240,078	(1,125)	15	Non SPPI
		<u>1,625,511</u>	<u>1,656,128</u>	<u>10,463</u>	<u>34,108</u>	
Loans and receivables*		567,942	424,592	-	-	SPPI
Cash and bank balances		40,806	25,906	-	-	SPPI
		<u>2,234,259</u>	<u>2,106,626</u>	<u>10,463</u>	<u>34,108</u>	
<b>Company</b>						
<b>Financial assets</b>						
Unit trusts		210,474	240,078	(1,125)	15	Non SPPI
Controlled structured entities		1,491,468	1,435,780	25,024	40,009	Non SPPI
	6(c)	<u>1,701,942</u>	<u>1,675,858</u>	<u>23,899</u>	<u>40,024</u>	
Loans and receivables*		491,281	403,524	-	-	SPPI
Cash and bank balances		40,751	25,872	-	-	SPPI
		<u>2,233,974</u>	<u>2,105,254</u>	<u>23,899</u>	<u>40,024</u>	

\* Loans and receivables excluded prepayment of RM5,137,423 (2019: RM3,025,702).

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”.

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36 **AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” (“THE AMENDMENTS”)**  
(CONTINUED)

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

<b>31.12.2020</b>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>Total</u>
<b>Financial assets with SPPI cash flows</b>						
Gross carrying amounts under MFRS	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>						
Malaysian Government Securities	-	-	-	-	159,094	159,094
Government Investment Issues	-	-	-	-	91,301	91,301
Corporate debt securities	221,601	380,382	5,158	13,451	544,050	1,164,642
Loans and receivables						
Staff loans	-	-	-	-	902	902
Fixed and call deposits	224,169	200,212	91,239	-	-	515,620
Other receivables*	-	-	-	-	51,420	51,420
Cash and bank balances	34,350	3,683	2,695	-	78	40,806
<b>Total</b>	<b>480,120</b>	<b>584,277</b>	<b>99,092</b>	<b>13,451</b>	<b>846,845</b>	<b>2,023,785</b>
<u>Company</u>						
Loans and receivables						
Staff loans	-	-	-	-	902	902
Fixed and call deposits	147,508	200,212	91,239	-	-	438,959
Other receivables*	-	-	-	-	51,420	51,420
Cash and bank balances	34,350	3,683	2,696	-	22	40,751
<b>Total</b>	<b>181,858</b>	<b>203,895</b>	<b>93,935</b>	<b>-</b>	<b>52,344</b>	<b>532,032</b>

\* Loans and receivables excluded prepayment of RM5,137,423

Financial assets with SPPI cash flows

All financial assets with SPPI cash flows of the Group and the Company as at 31 December 2020 have low credit risk.

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**36 AMENDMENTS TO MFRS 4 – APPLYING MFRS 9 “FINANCIAL INSTRUMENTS” WITH MFRS 4 “INSURANCE CONTRACTS” (“THE AMENDMENTS”) (CONTINUED)**

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

<b>31.12.2019</b>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>Total</u>
<b>Financial assets with SPPI cash flows</b>						
Gross carrying amounts under MFRS	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>						
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
<b>Total</b>	<b>407,565</b>	<b>559,898</b>	<b>87,342</b>	<b>58,360</b>	<b>753,383</b>	<b>1,866,548</b>
<u>Company</u>						
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
<b>Total</b>	<b>160,624</b>	<b>93,567</b>	<b>56,523</b>	<b>58,360</b>	<b>60,322</b>	<b>429,396</b>

\* Loans and receivables 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.

**TOKIO MARINE INSURANS (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)****37 MATERIAL TRANSACTION DURING THE FINANCIAL YEAR**

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.

On 25 September 2020, the Group and the Company received notice from MyCC that the 22 member companies had infringed Section 4 of the Act and imposed a financial penalty of RM14,669,018 to the Company.

The Group and the Company had filed a Notice of Appeal with the Competition Appeal Tribunal (“CAT”) pursuant to Section 52 of the Act and application for a stay of the financial penalty with the CAT pursuant to Section 53 of the Act on 13 and 14 October 2020 respectively. MyCC had replied to the Company’s Notice of Appeal by filing its Statement in Reply with the CAT on 15 November 2020, and the Company had filed its Reply thereto with CAT on 4 December 2020. MyCC had filed its Further Statement in Reply with the CAT on 25 December 2020.

In respect of the application for a stay of the financial penalty, MyCC had filed its Reply and Ground of Objections with the CAT on 4 November 2020, and the Company had filed its Reply thereto with the CAT on 25 November 2020. MyCC had filed its Further Reply with the CAT on 16 December 2020.

The Group’s and the Company’s counsel had attended hearing of the parties’ application for a stay on 25 and 26 February 2021 before the CAT and presented oral submissions. On 5 March 2021, MyCC presented its submission. The CAT had fixed a continued hearing on 12 March 2021 for the rest of the counsels representing their respective insurers to submit their replies to MyCC’s submission.

Subsequent to the hearings of the parties’ applications for a stay, MyCC’s submissions and the parties’ replies thereto between the months of February and March 2021, the CAT had, on 23 March 2021, granted the order for a stay of the financial penalty and also stayed the Cease and Desist Order. In relation to the appeal proper, the CAT has fixed the next case management and hearing to be held in April 2021 and June 2021 respectively.

Considering the development and progress of this case, coupled with the uncertainty over the final outcome of this long drawn legal process, the Group and the Company have made a provision of RM14.7 million in the financial statements as disclosed in Note 18 to the financial statements.

**38 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The current Covid-19 pandemic and uncertainty over the global economic outlook may impact the performance of the Group and the Company. The continued volatility in the financial markets resulting in fluctuations in the mark-to-market valuation of our assets and liabilities, all of which may impact our profit. Key determining factors are the direction of interest rates, credit spreads and overall outlook for inflation and domestic growth.

However for the current financial year, the results of the Group and the Company were not significantly impacted by the pandemic. The Group and the Company will continue to monitor the ensuing developments of the pandemic and measure the impact, if any, on the financial statements as they occur.