Registration No.
198601000381 (149520-U)

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

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2021

Registration No.
198601000381 (149520-U)

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

CONTENTS

Registration No.
198601000381 (149520-U)

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

DIRECTORS' REPORT

The Directors are pleased to submit their report to the member together with the audited financial statements of the Group and Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Net profit for the financial year attributable to		
- Owner of the Company	129,187	142,465

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 2020:	
Interim dividend paid on 24 March 2021	55,801
Final dividend paid on 30 June 2021	103,771

The Directors have not recommended the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

INSURANCE LIABILITIES

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

BAD AND DOUBTFUL DEBTS

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

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.

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, except for the significant event disclosed in Note 35 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 EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year are disclosed in Note 35 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. <u>Board Responsibilities</u>

The Board of Directors (“Board”) has the overall responsibility for promoting sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party.

This includes a consideration of the long-term implications of the Board’s decisions on the Company and its customers, officers and the general public. In fulfilling this role, the Board shall:

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

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

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
Yeoh Chong Keng	Independent Director
Datin Hayati Aman Binti Hashim ^	Independent Director
Yukio Arita	Executive Director*

^ Datin Hayati Aman Binti Hashim was appointed to the Board on 3 January 2022.

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

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training

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

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

Dato' Zainal Abidin Bin Putih
Chairman, Independent Director
76 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 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. He is also a member and Chairman of the Financial Reporting Foundation (FEF) appointed by the Finance Minister of Malaysia.

CORPORATE GOVERNANCE (CONTINUED)

3. Directors’ Profiles and Training (continued)

Dato’ Zainal Abidin Bin Putih (continued)

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

Date of Training	**Training / Conferences**	**Organiser of Training Programs / Conferences**
8 March 2021	Directors’ In House Training Integrated Reporting to Integrated Thinking Presenter : Prof Uantchern Loh, CEO, Black Sun Group (Asia Pacific)	Land & General Berhad / Malaysian Institute of Corporate Governance (MICG)
11 March 2021	FIDE FORUM - Rethinking Our Approach to Cyber Defence in Financial Institutions	Ciarab Martin-FIDE FORUM (Tokio Marine Life Insurance (Malaysia) Berhad)
26 March 2021	Khazanah Nasional Berhad (KNB) Asset Liability Management Workshop (ALM) for ARC Members	Governance, Risk & Compliance Unit of Khazanah Nasional Berhad (KNB) With Mercer
9 & 10 April 2021	2020 Khazanah Deferred Board Strategy Retreat	Khazanah Nasional Berhad
20 April 2021	BNM-FIDE Forum – MASB Dialogue on MFRS 17 Insurance Contracts – What Every Director Must Know	BNM / FIDE Forum
7 May 2021	CIMB 4th Regional Directors’ Sharing Session	CIMB Group

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 (continued):

9 June 2021	TMA Compliance Assurance Program (C.A.M.P.)	Tokio Marine Insurans (Malaysia) Berhad
9 June 2021	Group Compliance Directors Engagement	Tokio Marine Insurans (Malaysia) Berhad
14 June 2021	Talk on Implementing Amendments in the Malaysian Code on Corporate Governance (MCCG) By Elsa Satkunasingam	ICLIF / Petron
16 June 2021	Training on Corporate Liability of Section 17A under the Malaysian Anti-Corruption Commission Act 2009	Touch 'n Go Sdn Bhd Speaker from MACC Mr Jayantha Kumar
23 June 2021	JC3 Flagship Conference - Sustaining as a Business Strategy and the Role of Finance -	Organized by BNM & SC (Attended thru Tokio Marine Insurans (Malaysia) Berhad)
25 June 2021	JC3 Flagship Conference - Sustaining Finance for the Private Sector -	Organized by BNM & SC (Attended thru Tokio Marine Insurans (Malaysia) Berhad)
2 & 3 September 2021	C2 ESG Climate Change and ESG Conference	Organised by MIA (Attended thru Petron)
4 to 6 October 2021	2021 Khazanah Megatrends Forum - The Invention of Tomorrow	Khazanah Nasional Berhad
2 November 2021	Khazanah Integrity Event (KIE 2021)	Khazanah Nasional Berhad
23 November 2021	2021 Annual AMLA Training for Board of Directors Speakers : 1. Radish Singh (ED, Deloitte SEA, Financial Crime Compliance Lead) 2. Woo Wee Liam (Associate Director, Deloitte SEA. Financial Crime)	Touch 'n Go Sdn Bhd/ Compliance & Governance Team

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yeoh Chong Keng
Independent Director
70 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.

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yeoh Chong Keng (continued)

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

Date of Training	**Training / Conferences**	**Organiser of Training Programs / Conferences**
11 March 2021	FIDE FORUM- Rethinking Our Approach to Cyber Defence in Financial Institutions	Ciaran Martin-FIDE FORUM (Tokio Marine Life Insurance (Malaysia) Berhad)
9 June 2021	GC's Directors' Engagement	Tokio Marine Insurans (Malaysia) Berhad
9 June 2021	Compliance Assurance Mentoring Programme (C.A.M.P)	Tokio Marine Insurans (Malaysia) Berhad
10 June 2021	"In-House Director Training Programme On Cybersecurity Risk"	Lim Boon Hung-Tricor Axcelasia Sdn Bhd
15 December 2021	Cyber Security Incident Management Training	Deloitte

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Datin Hayati Aman Binti Hashim
Independent Director
55 Female, Malaysian

Date of First Appointment: 3 January 2022

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

* Datin Hayati was appointed as the Chairman of Audit Committee and Remuneration Committee and a member of the Nomination Committee and Risk Management Committee on 28 February 2022.

Datin Hayati Aman has 30 years of experience in Accounting, Audit, Financial Reporting, Regulations & Policies and Project Management. She holds a Bachelor of Science degree in Accounting and a Master in Business Administration specialising in Finance, both from Northern Illinois University, United States of America ("USA"). She qualified as a Certified Public Accountant in the USA (passed the American Institute of Certified Public Accountants examinations in 1988) and in Malaysia (passed the Malaysian Institute of Certified Public Accountants examinations in 1995).

Datin Hayati Aman started her career in the Audit department of Price Waterhouse Kuala Lumpur in 1990. She then joined KPMG Malaysia's Corporate Finance department in 1994 and subsequently moved to KPMG Houston where she was an Assurance Manager. After two years, she rejoined KPMG Malaysia in the Corporate Restructuring department and was involved in corporate restructurings, winding ups and liquidations including several Danaharta cases. Subsequently in 1999, Datin Hayati joined Land & General Berhad, a public listed company on the Main Market of Bursa Malaysia, and was responsible for all aspects of Finance, Accounting, Treasury and Taxation for the group of companies.

Datin Hayati Aman then joined the Securities Commission Malaysia ("SC") in 2010 as Head of the Equities Department in the Corporate Finance & Investments Division. Throughout her close to 10 years of service at the statutory body, she oversaw the evaluation of initial public offerings, reverse takeover applications, relevant disclosure documents and submission of recommendations to the authorised committee. In this role, she was also instrumental in formulating various regulations, strategic initiatives, policies and guidelines concerning the capital market.

Since leaving the SC in 2020, Datin Hayati Aman created and developed a series of capital market courses, specifically on securities law, requirements and conduct in submission of applications for initial public offerings and has been engaged to provide relevant training to corporate finance professionals. She was also co-opted as member of MICPA's Commerce, Industry and Public Sector Committee effective 1 August 2020.

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Datin Hayati Aman Binti Hashim (continued)

Currently, she serves on the boards of AmInvestment Bank Berhad and Cement Industries of Malaysia Berhad.

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

Date of Training	**Training / Conferences**	**Organiser of Training Programs / Conferences**
20 April 2021	MFRS17 Insurance Contracts: What Every Director Must Know	BNM-FIDE Forum-MASB Dialogue
25 May 2021	How Digitalisation and Data Analytics Can Help You Do Wonders for Your Business	MICPA-KPMG
29 July 2021	Setting the ESG Agenda to Achieve Sustainable Long-Term Value	MICPCA-Ernst & Young
9 September 2021	Tax Law: Recent Adventures in Suing Tax Authorities	Bar Council
10 September 2021	Sec 17A of the Malaysian Anti-Corruption Act 2009: Navigating Waves of Corporate Liability	Bar Council
12 November 2021	The 2050 Net Zero Carbon Emission Target: Finance's Role	FIDE Forum
26 November 2021	Value Creation: Measurement of Value Creation	MICPA-PricewaterhouseCoopers

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yukio Arita
Executive Director *
53 Male, Japan

Date of First Appointment: 7 July 2021

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. Yukio Arita is regarded as an Executive Director in accordance to the Policy Document.*

Mr. Yukio Arita graduated from Kansai University, Japan with a Bachelor of Economics in 1992.

Mr. Yukio Arita joined Tokio Marine in 1992 and since then he has been involved in various types of business such as Japanese large enterprise and Market Planning. He was most recently CEO of TMNF's general insurance subsidiary in China (2019-2021) and prior to that, he was CEO of TMNF's Canadian subsidiary (2010-2015) including various other senior roles in marketing in TMNF Japan.

Mr. Yukio Arita is currently the Deputy CEO of TMA and is responsible to oversee the functions of Corporate Planning, Finance & Investment, Human Resources and Legal & Compliance Departments.

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

Date of Training	Training / Conferences	Organiser of Training Programs / Conferences
27 May 2021	TMA's GC Nominee Directors & PIC Governance Training for 2021	TMA Legal & Compliance
15 July 2021	Fostering a Stronger "Know Your Employee" Program	Association of Bank Compliance Officer of the Philippines
22 September 2021	Crisis Management Training	On Call International Consultants
21 October 2021	Security Awareness Training	TMA CSIRT

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 Directors for the financial year was as follows:-

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Dato' Zainal Abidin bin Putih	6	6
Yip Jian Lee ^	6	6
Yeoh Chong Keng	6	6
Tham Saloon	6	3 #
Yukio Arita	6	3 *
Datin Hayati Aman Binti Hashim		Not applicable**

^ Ms. Yip Jian Lee retired as Director on 28 February 2022.

Mr. Tham Saloon had resigned on 7 July 2021 and he attended 3 out of 3 meetings held prior to his resignation.

* Mr. Yukio Arita was appointed to the Board on 7 July 2021 and he had attended all the 3 meetings held after his appointment as a Director.

** Datin Hayati Aman Binti Hashim was appointed to the Board on 3 January 2022.

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. In addition, RMC also supports the Board in providing oversight over technology-related matters.

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

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

Name of Directors	No. of RMC Meetings Held	No. of RMC Meetings Attended
Yeoh Chong Keng - RMC Chairman	4	4
Yip Jian Lee ^	4	4
Dato' Zainal Abidin bin Putih	4	4
Datin Hayati Aman Binti Hashim		Not applicable*

^ Ms. Yip Jian Lee retired on 28 February 2022.

* Datin Hayati Aman Binti Hashim was appointed to the RMC on 28 February 2022.

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 2021 was RM335,380 (2020: RM345,380). The fees for other services provided including 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:-

Name of Directors	No. of AC Meetings Held	No. of AC Meetings Attended
Yip Jian Lee - AC Chairman ^	6	6
Dato' Zainal Abidin bin Putih	6	6
Yeoh Chong Keng	6	6
Datin Hayati Aman Binti Hashim		Not applicable *

^ Ms. Yip Jian Lee retired on 28 February 2022.

* Datin Hayati Aman Binti Hashim was appointed as the AC Chairman on 28 February 2022.

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 Key Responsible Persons ("KRPs"). Whenever applicable and consistent with the Policy Document, the NC's recommendations on the CEO and KRPs would be made in consultation with the input from the Chairman of the AC and RMC.

The NC is also responsible to ensure all 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. Six (6) NC meetings were held during the financial year with attendance of the NC Members as follows:-

Name of Directors	No. of NC Meetings Held	No. of NC Meetings Attended
Yeoh Chong Keng - NC Chairman, Independent Director	6	6
Tham Saloon - Executive Director	6	3 #
Yukio Arita - Executive Director	6	3 *
Dato' Zainal Abidin Bin Putih - Independent Director	6	6
Yip Jian Lee - Independent Director ^	6	6
Datin Hayati Aman Binti Hashim - Independent Director		Not applicable**

Mr. Tham Saloon had resigned on 7 July 2021 and he attended 3 out of 3 meetings held prior to his resignation.

* Mr. Yukio Arita was appointed to the NC on 7 July 2021 and he had attended all the 3 meetings held after his appointment as a member of the NC.

^ Ms. Yip Jian Lee retired on 28 February 2022.

** Datin Hayati Aman Binti Hashim was appointed to the NC on 28 February 2022.

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:-

Name of Directors	No. of RC Meetings Held	No. of RC Meetings Attended
Yip Jian Lee - RC Chairman ^	5	5
Dato' Zainal Abidin Bin Putih	5	5
Yeoh Chong Keng	5	5
Datin Hayati Aman Binti Hashim		Not applicable*

^ Ms. Yip Jian Lee retired on 28 February 2022.

* Datin Hayati Aman Binti Hashim was appointed as the RC Chairman on 28 February 2022.

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.

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 (collectively referred to as "Key Responsible Persons").

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

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

EXCO Members
- Chief Executive Officer ("CEO")
- Deputy Chief Executive Officer ("DCEO")
- 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
- General Manager, Motor Franchise Holders & Dealers

Other Key Responsible Persons
- Chief Risk & Compliance Officer ("CRCO")
- Chief Internal Auditor ("CIA")
- Appointed 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.

Insurance Risk: Performance of Insurance Risks
Remuneration 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.

Performance and Remuneration

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

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

Performance and Remuneration (continued)

Our remuneration practices are aligned to the Company's overall performance; the risk appetite as part of risk management framework; and the Company's long-term strategy. Meanwhile, the remuneration for individuals within the Company are inclusive of performance measures in prudent risk-taking and appropriate market risk adjustment.

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. Variable remuneration is influenced significantly by the Company's performance metrics. As such, should the Company perform well, variable remuneration will increase and vice versa.

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

The Company generally uses:

I. 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.

II. Claw back and deferred performance bonus for its senior officers, of which the quantum is determined by the Company's stretch target. This is in consideration of the time horizon of risks and considering the potential for financial risks to crystalize over a longer period of time. The KPIs and stretch target for deferred performance bonus should be reviewed annually to assess the appropriateness and drive the desired behaviours. If the employee commits fraud, theft, embezzlement, serious misconduct, or is in breach or has breached any or his or her obligations to the Company, the Board of Directors, can at its discretion, cancel some or all of his or her vested or unvested deferred bonus, and require repayment of deferred bonus that have already been paid

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 2021 are shown in the following tables.

		Fixed Remuneration			Variable Remuneration			Total value of remuneration awards for the financial year
Name	Directorship / Designation	Cash-based	Shares and share-linked instrument	Others	Cash-based	Shares and share-linked instrument	Others	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Zainal Abidin Bin Putih	Chairman / Director	170	-	-	6	-	-	176
Yeoh Chong Keng	Director	125	-	-	6	-	-	131
Yip Jian Lee	Director	125	-	-	6	-	-	131
Yukio Arita	Executive Director	-	-	-	-	-	-	-
Ng Hang Ming	Chief Executive Officer	1,427	-	29	518	-	-	1,974

		Fixed Remuneration			Variable Remuneration			Total value of remuneration awards for the financial year
Category	No of Headcount	Cash-based	Shares and share-linked instrument	Others	Cash-based	Shares and share-linked instrument	Others	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EXCO	9	5,051	-	462	1,486	-	3	7,002
Key Responsible Persons	6	2,491	-	-	567	-	-	3,058

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 2021.

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 RM43,248 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.

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
Yeoh Chong Keng
Yukio Arita (appointed on 7 July 2021)
Datin Hayati Aman Binti Hashim (appointed on 3 January 2022)
Tham Saloon (resigned on 7 July 2021)
Yip Jian Lee (retired on 28 February 2022)

In accordance with the Company's Constitution, Dato' Zainal Abidin bin Putih shall retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

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

	Number of ordinary shares of SGD1 each			
	At 1.1.2021	Acquired	Disposed	At 31.12.2021
Holdings registered in name of Director				
Subsidiaries of ultimate holding corporation				
- Asia General Holdings Ltd				
Yukio Arita	-	1	-	1

DIRECTORS' BENEFITS

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

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

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

DIRECTORS' REPORT (CONTINUED)

ULTIMATE HOLDING CORPORATION

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

AUDITORS

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

There was no indemnity given or insurance effected for the auditors of the Company during the financial year.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 March 2022.

SIGNED

DATIN HAYATI AMAN BINTI HASHIM
DIRECTOR

SIGNED

YEOH CHONG KENG
DIRECTOR

Kuala Lumpur

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

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

We, Datin Hayati Aman Binti Hashim 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 31 to 127 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 2021 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2021 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 28 March 2022.

SIGNED

DATIN HAYATI AMAN BINTI HASHIM
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 31 to 127 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 28 March 2022.

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 2021, 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 2021 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 31 to 127.

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.

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.

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.

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	SIGNED
PRICEWATERHOUSECOOPERS PLT LLP0014401-LCA & AF 1146 Chartered Accountants	SOO HOO KHOON YEAN 02682/10/2023 J Chartered Accountant

Kuala Lumpur
28 March 2022

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Property, plant and equipment	4	52,101	56,842	52,101	56,842
Intangible assets	5	179,943	179,943	179,943	179,943
Investments: Available-for-sale	6,7	1,325,866	1,625,511	1,496,868	1,701,942
Reinsurance assets	8	613,161	270,741	613,161	270,741
Insurance receivables	9	106,753	99,115	106,753	99,115
Loans and receivables (excluding insurance receivables)	10	863,481	573,080	692,247	496,419
Deferred tax assets	15	2,327	-	2,327	-
Cash and bank balances		49,572	40,806	49,514	40,751
Total Assets		3,193,204	2,846,038	3,192,914	2,845,753
EQUITY AND LIABILITIES					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	845,676	876,061	812,982	830,089
Other reserves	13	(8,787)	35,557	23,907	81,529
Total Equity		1,240,360	1,315,089	1,240,360	1,315,089
Insurance contract liabilities	14	1,738,402	1,311,330	1,738,402	1,311,330
Deferred tax liabilities	15	-	15,873	-	15,873
Provision for taxation		155	2,640	155	2,640
Other financial liabilities	16	28,228	19,049	28,228	19,049
Insurance payables	17	79,510	74,093	79,510	74,093
Other payables	18	106,549	107,964	106,259	107,679
Total Liabilities		1,952,844	1,530,949	1,952,554	1,530,664
Total Equity and Liabilities		3,193,204	2,846,038	3,192,914	2,845,753

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 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Gross earned premiums	19(a)	922,764	850,067	922,764	850,067
Premiums ceded to reinsurers	19(b)	(206,107)	(164,468)	(206,107)	(164,468)
NET EARNED PREMIUMS		716,657	685,599	716,657	685,599
Investment income	20	70,863	78,724	70,641	79,564
Realised gain	21	1,995	18,209	1,286	721
Other operating income	22	535	3,615	535	3,615
Fee and commission income		47,062	45,393	47,062	45,393
OTHER REVENUE		120,455	145,941	119,524	129,293
TOTAL REVENUE		837,112	831,540	836,181	814,892
Gross claims paid		(360,203)	(397,459)	(360,203)	(397,459)
Claims ceded to reinsurers		57,105	40,249	57,105	40,249
Gross change to insurance contract liabilities		(406,506)	(40,371)	(406,506)	(40,371)
Change in insurance contract liabilities ceded to reinsurers		347,745	8,062	347,745	8,062
NET CLAIMS INCURRED		(361,859)	(389,519)	(361,859)	(389,519)
Other operating expense	22	(510)	(14,669)	(510)	(14,669)
Fair value losses	23	(13,285)	(4,591)	-	-
Fee and commission expense		(105,184)	(98,046)	(105,184)	(98,046)
Management expenses	24	(201,229)	(194,234)	(197,117)	(191,022)
Finance costs	25	(1,055)	(874)	(1,055)	(874)
OTHER EXPENSES		(321,263)	(312,414)	(303,866)	(304,611)
PROFIT BEFORE TAXATION		153,990	129,607	170,456	120,762
Taxation	26	(24,803)	(15,889)	(27,991)	(16,991)
NET PROFIT FOR THE FINANCIAL YEAR		129,187	113,718	142,465	103,771
Attributable to:					
- Owner of the Company		129,187	113,718	142,465	103,771
BASIC EARNINGS PER SHARE (SEN)	27	32	28	35	26

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 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Net profit for the financial year		129,187	113,718	142,465	103,771
Other comprehensive income:					
Items that may be subsequently reclassified to income statements					
Available-for-sale reserve					
- Net (loss)/gain on fair value arising during the financial year and allowance for impairment transferred to income statements		(57,549)	33,202	(74,724)	24,559
- Net realised gain transferred to income statements		(1,803)	(18,148)	(1,094)	(660)
		(59,352)	15,054	(75,818)	23,899
Tax effects	15	15,008	(6,837)	18,196	(5,735)
		(44,344)	8,217	(57,622)	18,164
Items that will not be reclassified to income statements					
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		84,843	124,215	84,843	124,215
Total comprehensive income attributable:					
- Owner of the Company		84,843	124,215	84,843	124,215

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note		Non-distributable		Distributable	
	Note	Share capital RM'000	Revaluation reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group						
At 1 January 2020		403,471	4,916	20,144	818,144	1,246,675
Net 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)
At 31 December 2020		403,471	7,196	28,361	876,061	1,315,089
At 1 January 2021		403,471	7,196	28,361	876,061	1,315,089
Net profit for the financial year		-	-	-	129,187	129,187
Other comprehensive income for the financial year		-	-	(44,344)	-	(44,344)
Dividend paid	28	-	-	-	(159,572)	(159,572)
At 31 December 2021		403,471	7,196	(15,983)	845,676	1,240,360

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Share capital RM'000	Revaluation reserve RM'000 (Non-distributable)	Available-for-sale reserve RM'000 (Non-distributable)	Retained earnings RM'000 (Distributable)	Total RM'000
Company						
At 1 January 2020		403,471	4,916	56,169	782,119	1,246,675
Net 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)
At 31 December 2020		403,471	7,196	74,333	830,089	1,315,089
At 1 January 2021		403,471	7,196	74,333	830,089	1,315,089
Net profit for the financial year		-	-	-	142,465	142,465
Other comprehensive income for the financial year		-	-	(57,622)	-	(57,622)
Dividend paid	28	-	-	-	(159,572)	(159,572)
At 31 December 2021		403,471	7,196	16,711	812,982	1,240,360

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	129,187	113,718	142,465	103,771
Adjustment of:				
Property, plant and equipment				
- depreciation	6,325	8,118	6,325	8,118
- gain on disposal	(192)	(61)	(192)	(61)
- write-offs	6	296	6	296
Depreciation for right-of-use (“ROU”) assets	7,360	7,298	7,360	7,298
Amortisation of asset restoration	105	120	105	120
Interest on lease liability	1,055	874	1,055	874
Gain on disposal of available-for-sale financial assets	(1,803)	(18,148)	(1,094)	(660)
Investment income	(70,863)	(78,724)	(70,641)	(79,564)
Allowance for impairment of investments	13,285	4,591	-	-
(Write-back of)/allowance for impairment of insurance and other receivables	(1,859)	811	(1,859)	811
Bad debts written back	(346)	(14,922)	(346)	(14,922)
Tax expense	24,803	15,889	27,991	16,991
	107,063	39,860	111,175	43,072
Purchases of investments	(645,133)	(608,722)	(80,567)	(41,672)
Proceeds from disposal of investments	867,167	661,744	210,917	40,009
Increase in reinsurance assets	(342,925)	(20,087)	(342,925)	(20,087)
(Increase)/decrease in insurance receivables	(4,946)	1,333	(4,946)	1,333
Increase in loans and receivables	(291,108)	(143,878)	(196,540)	(88,287)
Increase in insurance contract liabilities	427,072	70,356	427,072	70,356
Increase in other financial liabilities	9,179	7,295	9,179	7,295
Increase in insurance payables	5,417	20,759	5,417	20,759
Increase/(decrease) in other payables	1,599	(3,105)	1,594	(2,018)
	133,385	25,555	140,376	30,760

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax paid	(30,480)	(14,428)	(30,480)	(14,428)
Investment income received:				
- Interest	75,265	76,435	11,190	9,438
- Dividend	3,100	6,955	60,181	68,726
Interest paid on lease liabilities	(1,055)	(874)	(1,055)	(874)
Net cash generated from operating activities	180,215	93,643	180,212	93,622
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(6,450)	(17,197)	(6,450)	(17,197)
Proceeds from disposal of property, plant and equipment	192	69	192	69
Net cash used in investing activities	(6,258)	(17,128)	(6,258)	(17,128)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liabilities	(5,619)	(5,814)	(5,619)	(5,814)
Dividend paid	(159,572)	(55,801)	(159,572)	(55,801)
Net cash used in financing activities	(165,191)	(61,615)	(165,191)	(61,615)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	8,766	14,900	8,763	14,879
CASH AND CASH EQUIVALENTS AT 1 JANUARY	40,806	25,906	40,751	25,872
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	49,572	40,806	49,514	40,751
Cash and bank balances	49,572	40,806	49,514	40,751

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Reconciliation of liabilities arising from financing activities

	Group/Company	
	2021	2020
	RM'000	RM'000
Lease liabilities		
At 1 January	27,393	8,482
Cash flows	(6,674)	(6,688)
Interest charge	1,055	874
Lease addition	2,502	24,725
At 31 December	24,277	27,393

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

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 28 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial statements

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 “Interest Rate Benchmark Reform-Phase 2”

The Phase 2 amendments issued by the MASB on 30 September 2020 address the financial reporting issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The transition to alternative benchmark rates is likely to have implication for the accounting of financial instruments beyond hedge accounting. It is likely to affect financial instruments that are not designated in hedging relationships as well as the accounting for areas other than financial instruments (e.g. leases)

The amendments provide reliefs to specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16. These amendments aim to address issues affecting financial statements when changes are made to the contractual cash flows and hedging relationships as a result of the reform. With these reliefs, modification gains or losses and discontinuation of hedge accounting due to IBOR uncertainty should generally be avoided. However, all hedge ineffectiveness must still be recognised in the profit or loss.

The amendments will also affect entities with financial assets and financial liabilities, including lease liabilities, that are referenced to an interest rate benchmark and have been or will be required to replace the interest rate benchmark with an alternative benchmark rate as a result of the reform (e.g. LIBOR-based contracts).

The Group and the Company adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate for lessees and insurers applying the temporary exemption from MFRS 9 to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate (“IBOR”) reform. As a result, no immediate gain or loss is recognised in profit or loss.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because none of the IBOR-based contracts of the Group were modified in 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

On adoption of the MFRS 16 amendment, the Group and the Company is not required to assess whether a rent concession for payments due on or before 30 June 2021 that occurs as a direct consequence of the Covid-19 pandemic and meets specified conditions is a lease modification.

The Company accounts for such Covid-19 related rent concessions as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

In accordance with the transitional provisions provided in the MFRS 16 amendment, the comparative information for December 2020 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16. The cumulative effects of initially applying the MFRS 16 amendment were adjusted against retained earnings as at 1 January 2021.

The application of the new standards, amendments to standards or framework effective for the financial year beginning on or after 1 January 2021 are not expected to have any material financial impact to the current or future periods.

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

Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases: Lease Incentives'

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

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.

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.

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.

Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognize both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(iii) Disposal of subsidiaries

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

(c) Investment in subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combination

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

(e) Intangible assets - Goodwill

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

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

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

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

(f) Property, plant and equipment

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

All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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

Leasehold land and building	42 years
Furniture and fittings	3 - 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments and other financial assets

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

(i) Fair value through profit or loss ("FVTPL")

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

(ii) Held-to-maturity ("HTM")

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

(iii) Loans and receivables ("LAR")

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

(ii) Financial assets carried at cost

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

(iii) Financial assets carried at fair value

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(j) Derecognition of financial assets

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

(k) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for all of their businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group and the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group and the Company will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Group and Company reduce the carrying amount of the insurance receivable accordingly and recognise that impairment loss in the profit or loss. The Group and the Company gather the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(h) to the financial statements.

(n) General insurance underwriting results

Product classification

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

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

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

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

Premium income

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities refer to the higher of:

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

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

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

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

(i) 25% method for marine cargo business;

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

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

Claims liabilities

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs ("DAC")

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

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

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

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

Valuation of general insurance contract liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Other revenue recognition

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

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

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

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

(p) Foreign currency transactions

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The financial statements are presented in Ringgit Malaysia, which is the Group’s and the Company’s functional and presentation currency.

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

(q) Income taxes

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Contingent liabilities and contingent assets

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

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

(s) Dividends

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

(t) Leases

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.

<u>Lease term</u>

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

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in re-measurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

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

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

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

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:
- Fixed payment (including in substance fixed payments), less any lease incentive receivable; and
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

The Group and the Company 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial instruments

Description

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

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

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

Recognition method

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

Fair value estimation

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

- the fair values of Malaysian Government Securities are based on the indicative market prices;

- the fair values of Cagamas papers and unquoted corporate debt securities are based on the indicative market yield obtained from fund managers;

- the fair values of quoted equity securities and unit trusts are based on quoted market prices; and

- the carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

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

The recoverable amounts of the CGUs were determined based on the value-in-use calculations 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.

(ii) Claims liabilities

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Claims liabilities (continued)

The valuation of claims liabilities as at 31 December 2021 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 3.51% 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) Other payables

In the financial year ended 31 December 2020, the Group and the Company made a provision of RM14.7 million for a proposed financial penalty by the Malaysia Competition Commission (MyCC) in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes which allegedly infringed Section 4(2)(a) of the Competition Act 2010. This is part of the collective penalty of RM213.5 million imposed on the general insurance industry. The matter is currently undergoing a legal process and has not been concluded as at 31 December 2021.

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

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

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

4 PROPERTY, PLANT AND EQUIPMENT

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

	Group / Company 2021 RM'000	Group / Company 2020 RM'000
Property, plant and equipment owned	18,520	18,401
Right-of-use ("ROU") assets	33,581	38,441
	52,101	56,842

Property, plant and equipment owned

	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Group / Company				
Cost				
At 1 January 2021	13,417	3,027	51,488	67,932
Additions	365	91	5,994	6,450
Disposals	-	(512)	(2,955)	(3,467)
Write-offs	-	-	(194)	(194)
At 31 December 2021	13,782	2,606	54,333	70,721
Accumulated depreciation				
At 1 January 2021	6,302	1,765	41,464	49,531
Charge for the financial year	1,585	517	4,223	6,325
Disposals	-	(512)	(2,955)	(3,467)
Write-offs	-	-	(188)	(188)
At 31 December 2021	7,887	1,770	42,544	52,201
Net book value				
At 31 December 2021	5,895	836	11,789	18,520

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment owned (continued)

	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Group / Company				
Cost				
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	13,417	3,027	51,488	67,932
Accumulated depreciation				
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	6,302	1,765	41,464	49,531
Net book value				
At 31 December 2020	7,115	1,262	10,024	18,401

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use ("ROU") assets

	Leasehold land and building RM'000	Properties RM'000	Total RM'000
Group / Company			
Valuation/Cost			
At 1 January 2021	12,000	37,916	49,916
Additions	-	2,700	2,700
Termination/expiry	-	(1,439)	(1,439)
At 31 December 2021	12,000	39,177	51,177
Accumulated depreciation			
At 1 January 2021	2,217	9,258	11,475
Charge for the financial year	349	7,011	7,360
Termination/expiry	-	(1,239)	(1,239)
At 31 December 2021	2,566	15,030	17,596
Net book value			
At 31 December 2021	9,434	24,147	33,581
Valuation/Cost			
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
Accumulated depreciation			
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
Net book value			
At 31 December 2020	9,783	28,658	38,441

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use ("ROU") assets (continued)

	Group / Company	
	2021	2020
	RM'000	RM'000
Interest expense	1,055	874
Total cash outflow for leases	6,674	6,688

The Group and the Company lease various offices and premises. Rental contracts are typically made for fixed periods of 2 to 5 years (2020: 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.

5 INTANGIBLE ASSETS

	Group / Company	
	2021	2020
	RM'000	RM'000
Cost:		
At 1 January / 31 December	179,943	179,943

Goodwill of the Group and Company arose from the business acquisitions of Amanah General Insurance (M) Bhd ("AGIB"), Asia Insurance (M) Bhd ("AIMB") and MUI Continental Insurance Berhad ("MUI") in 2002, 2007 and 2012 respectively. As at 31 December 2021, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was remained as RM13,666,666 (2020: RM13,666,666), RM13,263,065 (2020: RM13,263,065) and RM153,013,485 (2020: 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 2022 to 2024. 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 7.6% (2020: 7.1%) 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 58.8% (2020: 59.5%) 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 9% (2020: 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% (2020: 3.5%) per annum.

The recoverable amount of the CGU is estimated to be RM2,113,000,000 (2020: RM1,683,000,000).

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.

	2021		2020	
	From	To	From	To
	%	%	%	%
Loss ratio	58.8	65.3	60.0	62.4
Perpetual margin growth rate	3.5	-2.0	3.5	1.5

6 INVESTMENTS

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")				
- Unit trusts	80,207	210,474	1,496,868	1,701,942
- Debt securities	1,230,092	1,398,867	-	-
- Equity securities	15,567	16,170	-	-
	1,325,866	1,625,511	1,496,868	1,701,942
Loans and receivables ("LAR") (Note 10)	863,481	573,080	692,247	496,419
	2,189,347	2,198,591	2,189,115	2,198,361

Current:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
AFS	121,390	74,462	-	-
LAR	814,742	521,819	643,508	445,158
	936,132	596,281	643,508	445,158

Non current:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
AFS	1,204,476	1,551,049	1,496,868	1,701,942
LAR	48,739	51,261	48,739	51,261
	1,253,215	1,602,310	1,545,607	1,753,203

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fair value				
Equity securities	15,527	16,130	-	-
Malaysian Government Securities	159,300	157,242	-	-
Government Investment Issues	119,153	90,641	-	-
Corporate debt securities:				
Unquoted	938,862	1,135,370	-	-
	1,232,842	1,399,383	-	-
Unit trusts	80,207	210,474	80,207	210,474
Controlled structured entities (Note 7)	-	-	1,416,661	1,491,468
	1,313,049	1,609,857	1,496,868	1,701,942
Accrued interest income				
Equity securities	40	40	-	-
Malaysian Government Securities	699	1,852	-	-
Government Investment Issues	1,025	660	-	-
Corporate debt securities:				
Unquoted	11,053	13,102	-	-
	12,817	15,654	-	-
	1,325,866	1,625,511	1,496,868	1,701,942

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial assets

Group	AFS RM'000	Total RM'000
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	1,625,511	1,625,511
At 1 January 2021	1,625,511	1,625,511
Purchases	645,133	645,133
Disposals	(865,364)	(865,364)
Fair value losses recorded in:		
Other comprehensive income	(59,352)	(59,352)
Allowance for impairment (Note 23)	(13,285)	(13,285)
Movement in investment income due and accrued	(6,777)	(6,777)
At 31 December 2021	1,325,866	1,325,866

Company	AFS RM'000	Total RM'000
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	1,701,942	1,701,942
At 1 January 2021	1,701,942	1,701,942
Purchases	80,567	80,567
Disposals	(209,823)	(209,823)
Fair value gains recorded in:		
Other comprehensive income	(75,818)	(75,818)
At 31 December 2021	1,496,868	1,496,868

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets

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

Group	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
31 December 2021			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	-	159,999	159,999
- Government Investment Issues	-	120,178	120,178
- Corporate debt securities	-	949,915	949,915
- Equity securities	-	15,567	15,567
- Unit trusts	80,207	-	80,207
	80,207	1,245,659	1,325,866
31 December 2020			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	-	159,094	159,094
- Government Investment Issues	-	91,301	91,301
- Corporate debt securities	-	1,148,472	1,148,472
- Equity securities	-	16,170	16,170
- Unit trusts	210,474	-	210,474
	210,474	1,415,037	1,625,511

Company	Level 1
	RM'000
31 December 2021	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	80,207
- Controlled structured entities	1,416,660
	1,496,867
31 December 2020	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	210,474
- Controlled structured entities	1,491,468
	1,701,942

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 2021 (2020: 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 RM1,416,660,310 (2020: RM1,491,467,605) 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 Nomura Islamic Asset Management Sdn Bhd. The investee funds 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 (2020: 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.

7 CONTROLLED STRUCTURED ENTITIES (CONTINUED)

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.

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 other comprehensive income in the Company's separate financial statements.

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

	2021 RM	2020 RM
Number of wholesale unit trust fund	3	3
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund	1.0158	1.0729
Opus Specific Income Fund	1.0471	1.0602
Opus Low Risk Asset Fund	1.0252	1.0757
Fair value of underlying net assets:		
Corporate debt securities	1,230,092,043	1,398,867,210
Equity securities	15,566,671	16,170,271
Deposits with licensed financial institutions	171,233,510	76,660,631
Cash equivalents	57,473	55,533
Payables	(289,387)	(286,040)
	1,416,660,310	1,491,467,605
Total fair value (loss)/gain incurred for the financial year	(72,637,477)	10,463,238

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.

7 CONTROLLED STRUCTURED ENTITIES (CONTINUED)

The Group and the Company invested in Nomura i-Income Fund 2 (“the Fund”) on 15 October 2021 with an amount of RM40 million and owned 55.7% unitholdings of the Fund.

According to MFRS 10 – Consolidated Financial Statements, an investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

a) Power over the investee;
b) Exposure, or rights, to variable returns from its involvement with the investee; and
c) The ability to use its power over the investee to affect the amount of the investors’ returns.

The Group and the Company do not fulfill these criteria based on their assessment of the Fund, and hence do not consolidate Nomura i-Income Fund 2 in the Group’s financial statements as at 31 December 2021.

8 REINSURANCE ASSETS

	Group / Company	
	2021 RM'000	2020 RM'000
Reinsurance of insurance contracts (Note 14)	618,226	275,301
Allowance for impairment (Note 32)	(5,065)	(4,560)
	613,161	270,741

9 INSURANCE RECEIVABLES

	Group / Company	
	2021 RM'000	2020 RM'000
Due premiums including agents/brokers and co-insurers balances	99,855	96,125
Due from reinsurers and cedants	9,888	8,326
	109,743	104,451
Allowance for impairment (Note 32)	(2,990)	(5,336)
	106,753	99,115

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 RM316,000 (2020: RM406,000) 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 (2020: Nil).

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	804,097	510,246	632,871	433,589
Staff loans	649	965	649	965
Allowance for impairment	(49)	(63)	(49)	(63)
	600	902	600	902
	804,697	511,148	633,471	434,491
Interest income receivable				
Fixed and call deposits with licensed financial institutions	4,649	5,374	4,641	5,370
Other receivables				
Knock-for-knock claims Recoveries	491	486	491	486
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	44,927	47,373	44,927	47,373
Other receivables	3,783	3,565	3,783	3,565
Prepayments	4,934	5,138	4,934	5,138
	54,135	56,562	54,135	56,562
Allowance for impairment	-	(4)	-	(4)
	54,135	56,558	54,135	56,558
	863,481	573,080	692,247	496,419
Fair value				
Fixed and call deposits with licensed financial institutions	808,746	515,620	637,512	438,959
Staff loans [net of impairment allowance of RM49,238 (2020: RM62,938)]	600	902	600	902
Other receivables	54,135	56,558	54,135	56,558
	863,481	573,080	692,247	496,419

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 amounts.

* MMIP as at 31 December 2021 is a net receivable of RM21,953,837 (2020: RM18,414,419) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities included in Note 14 to the financial statements.

11 SHARE CAPITAL

	Group / Company	
	2021	2020
	RM'000	RM'000
Ordinary share issued and fully paid:		
At 1 January / 31 December	403,471	403,471

12 RETAINED EARNINGS

Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the RBC framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividends would impair its Capital Adequacy Ratio position to below its internal target.

13 OTHER RESERVES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revaluation reserve				
At 1 January	7,196	4,916	7,196	4,916
Surplus arising during the financial year	-	2,280	-	2,280
At 31 December	7,196	7,196	7,196	7,196
Available-for-sale reserve				
At 1 January	28,361	20,144	74,333	56,169
Fair value (loss)/gain arising during the financial year	(52,900)	22,717	(56,790)	18,665
Allowance for impairment transferred to income statements	10,097	3,489	-	-
Transfer to Income Statements	(1,541)	(17,989)	(832)	(501)
At 31 December	(15,983)	28,361	16,711	74,333
Total	(8,787)	35,557	23,907	81,529

14 INSURANCE CONTRACT LIABILITIES

Group / Company	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000
Provision for outstanding claims	782,793	(362,492)	420,301	559,733	(135,309)	424,424
Provision for incurred but not reported claims ("IBNR")	501,653	(210,908)	290,745	318,207	(90,346)	227,861
Claims liabilities (i)	1,284,446	(573,400)	711,046	877,940	(225,655)	652,285
Premium liabilities (ii)	453,956	(44,826)	409,130	433,390	(49,646)	383,744
	1,738,402	(618,226)	1,120,176	1,311,330	(275,301)	1,036,029

(i) Claims liabilities

	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000
At 1 January	877,940	(225,655)	652,285	837,569	(217,593)	619,976
Claims incurred in the current accident year	590,979	(281,516)	309,463	383,369	(54,865)	328,504
Other movements in claims incurred in prior accident years	(7,716)	(2,772)	(10,488)	(15,268)	8,494	(6,774)
Movement of IBNR at 75% confidence level	183,446	(120,562)	62,884	69,729	(1,940)	67,789
Claims paid during the financial year	(360,203)	57,105	(303,098)	(397,459)	40,249	(357,210)
At 31 December	1,284,446	(573,400)	711,046	877,940	(225,655)	652,285

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group / Company	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000
(ii) Premium liabilities						
At 1 January	433,390	(49,646)	383,744	403,405	(37,621)	365,784
Premiums written in the year (Note 19)	943,330	(201,287)	742,043	880,052	(176,493)	703,559
Premiums earned during the financial year (Note 19)	(922,764)	206,107	(716,657)	(850,067)	164,468	(685,599)
At 31 December	453,956	(44,826)	409,130	433,390	(49,646)	383,744

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	
	2021	2020
	RM'000	RM'000
Deferred tax asset/(liabilities)	2,327	(15,873)
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	718	1,281
- Reinsurance assets	1,215	1,094
- Other receivables	12	16
- Other payables	6,378	7,075
	8,323	9,466
Offsetting	(5,996)	(9,466)
Deferred tax assets (after offsetting)	2,327	-
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	496	1,850
- Premium liabilities	223	16
- Financial assets at AFS	5,277	23,473
	5,996	25,339
Offsetting	(5,996)	(9,466)
Deferred tax liabilities (after offsetting)	-	15,873

15 DEFERRED TAXATION (CONTINUED)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	(15,873)	(8,353)	(15,873)	(8,353)
(Charged)/credited to income statements (Note 26)				
- Insurance receivables	(563)	184	(563)	184
- Reinsurance assets	121	21	121	21
- Other receivables	(4)	(10)	(4)	(10)
- Other payables	(697)	(704)	(697)	(704)
- Property, plant and equipment	1,354	(473)	1,354	(473)
- Premium liabilities	(207)	(83)	(207)	(83)
- Financial assets at AFS	3,188	1,102	-	-
	3,192	37	4	(1,065)
Credited/(charged) to equity:				
- Financial assets at AFS	15,008	(6,837)	18,196	(5,735)
- Property, plant and equipment	-	(720)	-	(720)
	15,008	(7,557)	18,196	(6,455)
At 31 December	2,327	(15,873)	2,327	(15,873)

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2021	2020
	RM'000	RM'000
Deposits received from reinsurers	28,228	19,049

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

All amounts are payable within one year.

17 INSURANCE PAYABLES

	Group / Company	
	2021	2020
	RM'000	RM'000
Due to agents and intermediaries	30,089	29,162
Due to reinsurers and cedants	49,421	44,931
	79,510	74,093

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 RM41,657,000 (2020: RM32,010,000) 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 (2020: Nil).

18 OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Lease liabilities	24,277	27,393	24,277	27,393
Asset restoration	3,092	2,991	3,092	2,991
Cash collaterals held on contract bonds	2,219	2,096	2,219	2,096
Payroll liabilities	32,790	25,269	32,790	25,269
Service tax payable	9,919	9,013	9,919	9,013
Provision of financial penalty*	14,669	14,669	14,669	14,669
Other payables and accrued expenses	19,583	26,533	19,293	26,248
	106,549	107,964	106,259	107,679

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

*In the financial year ended 31 December 2020, the Group and the Company made a provision of RM14.7 million for a proposed financial penalty by the Malaysia Competition Commission ("MyCC") in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes which allegedly infringed Section 4(2)(a) of the Competition Act 2010. This is part of the collective penalty of RM213.5 million imposed on the general insurance industry. The matter is currently undergoing a legal process and has not been concluded as at 31 December 2021.

The significant related party balance at the end of the financial year between the Company and its related parties on the other payables is RM1,100,000 (2020: RM1,161,000) as disclosed in Note 30 (a) to the financial statements.

18 OTHER PAYABLES (CONTINUED)

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

	Group/Company	
	2021	2020
	RM'000	RM'000
Lease liabilities		
Current	5,522	5,384
Non-current	18,755	22,009
	24,277	27,393

19 NET EARNED PREMIUMS

		Group / Company	
		2021	2020
		RM'000	RM'000
(a)	Gross earned premiums		
	Insurance contracts (Note 14)	943,330	880,052
	Change in gross premium liabilities	(20,566)	(29,985)
		922,764	850,067
(b)	Premiums ceded to reinsurers		
	Insurance contracts (Note 14)	(201,287)	(176,493)
	Change in reinsurance premium liabilities	(4,820)	12,025
		(206,107)	(164,468)
	Net earned premiums (Note 14)	716,657	685,599

20 INVESTMENT INCOME

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
AFS financial assets:				
Interest income	55,097	59,848	-	-
Dividend income				
- Controlled structured entities	-	-	57,081	61,771
- Unit trusts	3,100	6,817	3,100	6,817
LAR financial assets – interest income	12,666	12,059	10,460	10,976
	70,863	78,724	70,641	79,564

21 REALISED GAIN

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised gain	192	61	192	61
AFS financial assets:				
Realised gain:				
Corporate debt securities – unquoted in Malaysia	709	18,151	-	-
Unit trusts	1,094	(3)	1,094	660
	1,995	18,209	1,286	721

22 OTHER OPERATING INCOME/(EXPENSE)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other Operating Income				
Agency fees received	535	678	535	678
Other income	-	2,937	-	2,937
	535	3,615	535	3,615
Other Operating Expense				
Provision of financial penalty	-	(14,669)	-	(14,669)
Other expense	(510)	-	(510)	-
	(510)	(14,669)	(510)	(14,669)

23 FAIR VALUE LOSSES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Financial investments - available-for-sale	(13,285)	(4,591)	-	-

24 MANAGEMENT EXPENSES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 24(a))	127,214	121,325	127,214	121,325
Directors' remuneration (Note 24(b))	438	438	438	438
Auditors' remuneration:				
- statutory audit	335	345	335	345
- other services	31	201	31	201
Depreciation of property, plant and equipment	6,325	8,118	6,325	8,118
Depreciation of ROU assets	7,360	7,298	7,360	7,298
Allowance for/(write-back of) impairment:				
- Reinsurance assets	505	88	505	88
- Insurance receivables	(2,346)	767	(2,346)	767
- Loans and receivables	(18)	(44)	(18)	(44)
Bad debts written back	(346)	(14,922)	(346)	(14,922)
Rental of office premises	1,396	1,743	1,396	1,743
Entertainment	11,051	16,597	11,051	16,597
Training expenses	1,460	912	1,460	912
Management fees*	3,219	2,288	3,219	2,288
Repairs and maintenance	663	1,818	663	1,818
Motor vehicle expenses	2,488	3,032	2,488	3,032
Travelling	69	245	69	245
Advertising	930	568	930	568
Printing and stationery	5,480	5,103	5,480	5,103
Postage and telephone	1,748	1,425	1,748	1,425
Electronic data processing expenses	15,414	20,497	15,414	20,497
Bank collection charges	5,937	5,985	5,937	5,985
Other expenses	11,876	10,407	7,764	7,195
	201,229	194,234	197,117	191,022

* Included in management fees are management fees payable/paid to related parties of RM980,924 (2020: RM822,364) as disclosed in Note 30 (a) to the financial statements.

24 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2021 RM'000	2020 RM'000
Staff salary and bonus	108,334	103,351
Social security contributions	694	704
Contributions to Employees' Provident Fund	14,739	13,517
Other benefits	3,447	3,753
	127,214	121,325

(b) Directors' remuneration

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

	Group / Company	
	2021 RM'000	2020 RM'000
Executive:		
Fee	-	-
Other benefits	-	-
	-	-
Non-Executive:		
Fees	420	420
Other benefits	18	18
	438	438
	438	438
Represented by:		
Directors' fees	420	420
Amount included in employee benefits expense	18	18
	438	438

The estimated cash value of benefits-in-kind provided to the Directors of the Group and the Company amounted to RM Nil (2020: 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 financial year amounted to RM1,974,000 (2020: RM1,866,000).

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

	Number of Directors	
Group / Company	2021	2020
Executive Directors		
Below RM50,000	-	-
Non-Executive Directors		
Below RM50,000	-	-

24 MANAGEMENT EXPENSES (CONTINUED)

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

	Fee	Salaries	Bonus	Other emoluments	Benefits-in-kind	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer						
- Ng Hang Ming	-	1,236	451	254	33	1,974
Executive Director						
- Yukio Arita	-	-	-	-	-	-
Non-Executive Directors						
- Dato' Zainal Abidin Bin Putih	170	-	-	6	-	176
- Yeoh Chong Keng	125	-	-	6	-	131
- Yip Jian Lee	125	-	-	6	-	131
	420	1,236	451	272	33	2,412
2020						
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
	420	1,080	511	258	35	2,304

25 FINANCE COSTS

	Group / Company	
	2021	2020
	RM'000	RM'000
Interest on lease liabilities	1,055	874

26 TAXATION

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current financial year	27,355	16,143	27,355	16,143
Under/(over) provision in prior financial years	640	(217)	640	(217)
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(3,192)	(37)	(4)	1,065
	24,803	15,889	27,991	16,991

The income taxes for the Group and the Company are calculated based on the tax rate of 24% (2020: 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	153,990	129,607	170,456	120,762
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	36,958	31,106	40,909	28,983
Income not subject to tax	(13,665)	(20,457)	(14,428)	(17,232)
Expenses not deductible for tax Purposes	870	5,457	870	5,457
Under/(over) provision in prior years	640	(217)	640	(217)
Tax expense for the year	24,803	15,889	27,991	16,991

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.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit attributable to ordinary equity holders	129,187	113,718	142,465	103,771
Weighted average number of shares in issue	403,471	403,471	403,471	403,471
Basic earnings per share (sen)	32	28	35	26

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

	Group / Company	
	2021 RM'000	2020 RM'000
Interim and final single-tier dividend paid	159,572	55,801
Dividend rate (%)	39.55	13.83
Dividend per share (sen)	0.3955	0.1383

The Directors have not recommended any dividend for the current financial year.

29 CAPITAL COMMITMENTS

	Group / Company	
	2021	2020
	RM'000	RM'000
Capital expenditure		
Approved and contracted for	140	-
	140	-

30 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and the Company as at 31 December 2021, are as follows:

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

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

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

Significant related party transactions

Income/(Expenses)	Group / Company	
	2021	2020
	RM'000	RM'000
Transactions with immediate holding corporation:		
Expenses recharge*	(692)	(570)
Risk management fees paid*	(67)	(109)
Expatriates remuneration	(810)	(724)
Recruitment and placement fee	-	(41)
Others	(469)	(317)

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 2021 RM'000	Group / Company 2020 RM'000
Transactions with penultimate holding corporation:		
Premium ceded	(34,316)	(25,706)
Claims recoveries and paid	7,360	4,537
Commission received	6,198	5,075
Agency fees received	429	598
Expatriates remuneration	(2,960)	(3,098)
Interest expenses on treaty withheld	(146)	(6)
Others	(470)	(3)

Transactions with other related corporations:

Group / Company 2021	Asia RM'000	Europe RM'000	North America RM'000	Total RM'000
Premium ceded	(28,869)	(92)	-	(28,961)
Claims recoveries and paid	4,401	-	-	4,401
Commission received	6,322	(6)	-	6,316
Agency fees received	96	-	9	105
Rental paid	(476)	-	-	(476)
Risk management fees paid*	(104)	-	-	(104)
Others	(198)	-	-	(198)
Interest expenses on treaty withheld	(111)	-	-	(111)
Expatriates remuneration	(9)	-	-	(9)

Group / Company 2020	Asia RM'000	Europe RM'000	North America RM'000	Total 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)

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

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	
	2021	2020
	RM'000	RM'000
Insurance receivables		
Claim recoveries due from related corporations	316	406
Insurance payables		
Reinsurance premiums due to penultimate holding corporation	(29,076)	(26,838)
Reinsurance premiums due to related corporations	(12,581)	(5,172)
Other payable due to immediate holding corporation	(1,071)	(1,148)
Other payable due to related corporation	(29)	(13)

(b) Key management personnel's remuneration

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

	Group / Company	
	2021	2020
	RM'000	RM'000
Salary	7,632	8,073
Bonus	2,287	2,237
Defined contribution plan	1,137	1,286
Other benefits	978	1,100
	12,034	12,696

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 (2020: RM Nil).

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:

	31 December 2021			31 December 2020		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	556,703	(51,430)	505,273	520,009	(42,754)	477,255
Fire	430,733	(372,601)	58,132	146,191	(100,411)	45,780
Marine, Aviation and Transit	70,787	(40,292)	30,495	35,269	(11,137)	24,132
Miscellaneous	226,223	(109,077)	117,146	176,471	(71,353)	105,118
	1,284,446	(573,400)	711,046	877,940	(225,655)	652,285

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 2021 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.

Group / Company	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
31 December 2021					
Claim Liability					
IELR in the last	+10%	83,072	38,500	(38,500)	(29,260)
accident year	-10%	(83,063)	(38,491)	38,491	29,253
First incurred	+10%	11,762	11,478	(11,478)	(8,723)
development factor	-10%	(11,762)	(11,478)	11,478	8,723
Claim handling	+1%	6,625	6,560	(6,560)	(4,986)
expenses	-1%	(6,625)	(6,560)	6,560	4,986
Provision for	+5%	46,348	26,157	(26,157)	(19,879)
Adverse Deviation	-5%	(46,348)	(26,157)	26,157	19,879

31 INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2021					
Premium Liability					
URR Loss Ratio	+10%	40,454	34,473	(34,473)	(26,199)
	-10%	(40,006)	(34,473)	34,473	26,199
Maintenance	+3%	13,917	13,650	(13,650)	(10,374)
Expense Ratio	-3%	(13,917)	(13,650)	13,650	10,374
Provision for	+5%	16,098	14,847	(14,847)	(11,283)
Adverse Deviation	-5%	(16,098)	(14,847)	14,847	11,283
31 December 2020					
Claim Liability					
IELR in the last	+10%	47,766	37,511	(37,511)	(28,508)
accident year	-10%	(47,766)	(37,511)	37,511	28,508
First incurred	+10%	12,602	12,300	(12,300)	(9,348)
development factor	-10%	(12,602)	(12,300)	12,300	9,348
Claim handling	+1%	6,077	6,010	(6,010)	(4,568)
expenses	-1%	(6,077)	(6,010)	6,010	4,568
Provision for	+5%	31,521	23,745	(23,745)	(18,047)
Adverse Deviation	-5%	(31,521)	(23,745)	23,745	18,047
Premium Liability					
URR Loss Ratio	+10%	39,221	33,050	(33,050)	(25,118)
	-10%	(39,221)	(33,050)	33,050	25,118
Maintenance	+3%	13,188	12,907	(12,907)	(9,809)
Expense Ratio	-3%	(13,188)	(12,907)	12,907	9,809
Provision for	+5%	15,267	13,899	(13,899)	(10,563)
Adverse Deviation	-5%	(15,267)	(13,899)	13,899	10,563

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.

31 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2021:

Group / Company	Prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Accident year									
At end of accident year		777,482	700,637	814,626	655,991	587,431	514,209	798,394	
One year later		713,282	656,424	775,203	598,624	553,704	446,167		
Two years later		690,390	637,667	771,843	584,165	547,341			
Three years later		699,768	633,502	764,147	585,933				
Four years later		690,538	628,402	752,476					
Five years later		687,808	621,664						
Six years later		681,474							
Current estimate of cumulative claims incurred		681,474	621,664	752,476	585,933	547,341	446,167	798,394	4,433,449
At end of accident year		276,527	322,983	379,658	305,656	251,841	191,058	173,016	
One year later		586,525	518,943	608,006	457,665	387,014	299,613		
Two years later		632,978	567,346	670,140	496,903	428,150			
Three years later		652,166	588,332	697,881	513,276				
Four years later		665,292	601,238	710,152					
Five years later		670,569	605,185						
Six years later		671,567							
Current payments to-date		671,567	605,185	710,152	513,276	428,150	299,613	173,016	3,400,959
Direct and facultative inwards	25,664	9,907	16,479	42,324	72,657	119,191	146,554	625,378	1,058,154
Treaty Inwards									3,074
MMIP									22,209
Best estimate of claim liabilities									1,083,437
Claim handling expenses									29,308
Fund PRAD at 75% Confidence Interval									171,701
Gross general insurance claims liabilities									1,284,446

31 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2020:

Group / Company	Prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Accident year									
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							
Current estimate of cumulative claims incurred		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							
Current payments to-date		569,579	670,569	601,238	697,881	496,903	387,014	191,058	3,614,242
Direct and facultative Inwards	21,160	8,253	17,239	27,164	66,266	87,262	166,690	323,151	717,185
Treaty Inwards									2,991
MMIP									27,215
		Best estimate of claim liabilities							747,391
		Claim handling expenses							21,489
		Fund PRAD at 75% Confidence Interval							109,060
		Gross general insurance claims liabilities							877,940

31 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2021:

Group / Company	Prior	2015	2016	2017	2018	2019	2020	2021	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year		551,103	612,038	684,740	567,787	481,878	430,252	427,113	
One year later		545,923	594,500	668,677	538,261	455,322	378,645		
Two years later		531,029	581,096	661,317	534,314	452,552			
Three years later		528,782	576,520	659,239	535,570				
Four years later		523,195	571,886	648,492					
Five years later		521,284	566,048						
Six years later		515,606							
Current estimate of cumulative claims incurred		515,606	566,048	648,492	535,570	452,552	378,645	427,113	3,524,026
At end of accident year		250,395	307,481	353,509	289,635	232,048	174,369	157,547	
One year later		446,874	480,254	532,026	424,422	345,140	263,750		
Two years later		,485,594	523,678	582,893	458,860	372,695			
Three years later		500,276	541,878	604,838	474,419				
Four years later		509,042	550,000	613,108					
Five years later		511,202	550,986						
Six years later		512,174							
Current payments to-date		512,174	550,986	613,108	474,419	372,695	263,750	157,547	2,944,679
Direct and facultative inward	3,730	3,432	15,062	35,384	61,151	79,857	114,895	269,566	583,077
Treaty Inwards									3,074
MMIP									22,209
Best estimate of claim liabilities									608,360
Claim handling expenses									29,308
Fund PRAD at 75% Confidence Interval									73,378
Net general insurance claims liabilities									711,046

31 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2020:

Group / Company	Prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Accident year									
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							
Current estimate of cumulative claims incurred		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							
Current payments to-date		463,286	511,202	550,000	604,838	458,860	345,140	174,369	3,107,695
Direct and facultative inward	1,877	4,470	10,082	21,886	54,401	75,454	110,182	255,883	534,235
Treaty Inwards									2,991
MMIP									27,215
		Best estimate of claim liabilities							564,441
		Claim handling expenses							21,489
		Fund PRAD at 75% Confidence Interval							66,355
		Net general insurance claims liabilities							652,285

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:

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
LAR (excluding insurance receivables)	10				
- Staff loans		600	902	600	902
- Fixed and call deposits		808,746	515,620	637,512	438,959
- Other receivables*		49,201	51,420	49,201	51,420
AFS financial assets	6(a)				
- Malaysian Government Securities		159,999	159,094	-	-
- Government Investment Issues		120,178	91,301	-	-
- Corporate debt securities		949,915	1,148,472	-	-
- Equity securities		15,567	16,170		
- Unit trusts		80,207	210,474	1,496,868	1,701,942
Reinsurance assets - claim liabilities		568,335	221,095	568,335	221,095
Insurance receivables	9	106,753	99,115	106,753	99,115
Cash and bank balances		49,572	40,806	49,514	40,751
		2,909,073	2,554,469	2,908,783	2,554,184

* Excluding prepayment

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.

Group	Neither past-due nor impaired: Investment grade RM'000	Neither past-due nor impaired: Non-investment grade: satisfactory RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
31 December 2021					
LAR					
- Staff loans	-	600	-	49	649
- Fixed and call deposits	808,746	-	-	-	808,746
- Other receivables	-	49,201	-	-	49,201
AFS financial assets					
- Malaysian Government Securities	-	159,999	-	-	159,999
- Government Investment Issues	-	120,178	-	-	120,178
- Corporate debt securities	574,120	375,795	-	13,285	963,200
- Equities securities	15,567	-		-	15,567
- Unit trust funds	-	80,207	-	-	80,207
Reinsurance assets-claim liabilities	-	568,335	-	5,065	573,400
Insurance receivables	-	85,725	21,028	2,990	109,743
Cash and bank balances	-	49,572	-	-	49,572
Allowance for impairment	-	-	-	(21,389)	(21,389)
	1,398,433	1,489,612	21,028	-	2,909,073
31 December 2020					
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	604,422	544,050	-	4,591	1,153,063
- Equities securities	16,170	-	-	-	16,170
- Unit trust funds	-	210,474	-	-	210,474
Reinsurance assets-claim liabilities	-	221,095	-	4,560	225,655
Insurance receivables	-	86,316	12,799	5,336	104,451
Cash and bank balances	-	40,806	-	-	40,806
Allowance for impairment	-	-		(14,554)	(14,554)
	1,136,212	1,405,458	12,799	-	2,554,469

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)

Company	Neither past-due nor impaired Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021					
LAR					
- Staff loans	-	600	-	49	649
- Fixed and call deposits	637,512	-	-	-	637,512
- Other receivables	-	49,201	-	-	49,201
AFS financial assets					
- Unit trust funds	589,687	907,181	-	-	1,496,868
Reinsurance assets-claim liabilities	-	568,335	-	5,065	573,400
Insurance receivables	-	85,725	21,028	2,990	109,743
Cash and bank balances	-	49,514	-	-	49,514
Allowance for impairment	-	-	-	(8,104)	(8,104)
	1,227,199	1,660,556	21,028	-	2,908,783
31 December 2020					
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)
	1,059,551	1,481,834	12,799	-	2,554,184

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.

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.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2021						
LAR						
Staff loans	-	-	-	-	600	600
Fixed and call deposits	351,476	379,939	-	77,331	-	808,746
Other receivables	-	-	-	-	49,201	49,201
AFS financial assets						
Malaysian Government Securities	-	-	-	-	159,999	159,999
Government Investment Issues	-	-	-	-	120,178	120,178
Corporate debt securities	249,694	324,426	-	-	375,795	949,915
Equities securities	-	15,567	-	-	-	15,567
Unit trust funds	-	-	-	-	80,207	80,207
Reinsurance assets-claims liabilities	-	33,950	291,989	-	242,396	568,335
Insurance receivables	-	2,182	6,361	-	98,210	106,753
Cash and bank balances	40,597	7,315	1,577	-	83	49,572
	641,767	763,379	299,927	77,331	1,126,669	2,909,073

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)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2020						
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	364,212	5,158	13,451	544,050	1,148,472
Equities securities	-	16,170	-	-	-	16,170
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
	480,120	615,361	174,729	13,451	1,270,808	2,554,469

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)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021						
LAR						
Staff loans	-	-	-	-	600	600
Fixed and call deposits	180,242	379,939	-	77,331	-	637,512
Other receivables	-	-	-	-	49,201	49,201
AFS financial assets						
Unit trust funds	-	-	-	-	1,496,868	1,496,868
Reinsurance assets-claims liabilities	-	33,950	291,989	-	242,396	568,335
Insurance receivables	-	2,182	6,361	-	98,210	106,753
Cash and bank balances	40,597	7,315	1,577	-	25	49,514
	220,839	423,386	299,927	77,331	1,887,300	2,908,783

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)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2020						
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
	181,858	234,979	169,572	-	1,967,775	2,554,184

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.

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021						
Investment grade	601,170	719,932	-	77,331	-	1,398,433
Non-investment grade:						
Satisfactory	40,597	41,265	293,566	-	1,114,184	1,489,612
Past-due but not impaired	-	2,182	6,361	-	12,485	21,028
	641,767	763,379	299,927	77,331	1,126,669	2,909,073
31 December 2020						
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
	480,120	615,361	174,729	13,451	1,270,808	2,554,469

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)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021						
Investment grade	180,242	379,939	-	77,331	589,687	1,227,199
Non-investment grade						
Satisfactory	40,597	41,265	293,566	-	1,285,128	1,660,556
Past-due but not impaired	-	2,182	6,361	-	12,485	21,028
	220,839	423,386	299,927	77,331	1,887,300	2,908,783
31 December 2020						
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
	181,858	234,979	169,572	-	1,967,775	2,554,184

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.

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*

Group / Company	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
31 December 2021						
Insurance receivables (RM'000)	11,858	4,238	1,694	3,726	(488)	21,028
31 December 2020						
Insurance receivables (RM'000)	6,189	3,731	1,208	2,703	(1,032)	12,799

* 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.

32 FINANCIAL RISK (CONTINUED)

Impaired financial assets

At 31 December 2021, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM2,990,000 (2020: RM5,336,000) and claim recoverable of RM5,065,000 (2020: RM4,560,000). 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	14,554	9,152	9,963	9,152
Charge for the financial year				
- Reinsurance assets	505	88	505	88
- Insurance receivables	577	1,053	577	1,053
- Investments	8,694	4,591	-	-
Recoveries				
- Loans and receivables	(18)	(44)	(18)	(44)
- Insurance receivables	(2,923)	(286)	(2,923)	(286)
At 31 December	21,389	14,554	8,104	9,963

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.

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.

Group	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) Up to a Year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2021							
Financial investments:							
AFS	1,325,866	80,207	12,817	575,653	355,067	543,237	1,566,981
Reinsurance assets – claims liabilities	568,335	-	422,102	120,973	22,929	2,331	568,335
Insurance receivables	106,753	-	106,753	-	-	-	106,753
LAR (excluding insurance receivables)	858,547	-	858,188	238	118	66	858,610
Cash and bank balances	49,572	49,572	-	-	-	-	49,572
Total financial assets	2,909,073	129,779	1,399,860	696,864	378,114	545,634	3,150,251
General insurance claims Liabilities	1,284,446	-	868,558	347,486	60,769	7,633	1,284,446
Other financial liabilities	28,228	-	28,228	-	-	-	28,228
Insurance payables	79,510	-	79,510	-	-	-	79,510
Other payables	82,272	-	79,475	934	2,250	-	82,659
Lease liabilities	24,277	-	6,399	11,949	8,171	-	26,519
Total financial liabilities	1,498,733	-	1,062,170	360,369	71,190	7,633	1,501,362

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Group	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2020							
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
Total financial assets	2,554,469	251,280	833,703	632,184	314,017	757,170	2,788,354
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
Total financial liabilities	1,079,046	-	734,050	277,614	59,329	11,732	1,082,725

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Company	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2021							
Financial investments:							
AFS	1,496,868	1,496,868	-	-	-	-	1,496,868
Reinsurance assets – claims liabilities	568,335	-	422,102	120,973	22,929	2,331	568,335
Insurance receivables	106,753	-	106,753	-	-	-	106,753
LAR (excluding insurance receivables)	687,313	-	686,954	238	118	66	687,376
Cash and bank balances	49,514	49,514	-	-	-	-	49,514
Total financial assets	2,908,783	1,546,382	1,215,809	121,211	23,047	2,397	2,908,846
General insurance claims liabilities	1,284,446	-	868,558	347,486	60,769	7,633	1,284,446
Other financial liabilities	28,228	-	28,228	-	-	-	28,228
Insurance payables	79,510	-	79,510	-	-	-	79,510
Other payables	81,982	-	79,185	934	2,250	-	82,369
Lease liabilities	24,277	-	6,399	11,949	8,171	-	26,519
Total financial liabilities	1,498,443	-	1,061,880	360,369	71,190	7,633	1,501,072

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			Contractual Cash Flow (undiscounted)				
Company	Carrying value RM'000	No maturity date RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2020							
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
Total financial assets	2,554,184	1,742,693	741,388	56,578	11,524	2,102	2,554,285
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	80,286	-	77,902	430	199	2,250	80,781
Lease liabilities	27,393	-	6,419	9,960	11,794	2,403	30,576
Total financial liabilities	1,078,761	-	733,764	277,614	59,329	11,732	1,082,439

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Group	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2021			
Property, plant and equipment	-	52,101	52,101
Intangible assets	-	179,943	179,943
Investments:			
- AFS	121,390	1,204,476	1,325,866
Reinsurance assets	466,927	146,234	613,161
Insurance receivables	106,753	-	106,753
Loans and receivables (excluding insurance receivables)	858,188	5,293	863,481
Deferred tax asset	2,327	-	2,327
Cash and bank balances	49,572	-	49,572
Total assets	1,605,157	1,588,047	3,193,204
Insurance contract liabilities	1,322,513	415,889	1,738,402
Tax payable	155	-	155
Other financial liabilities	28,228	-	28,228
Insurance payables	79,510	-	79,510
Other payables	84,904	21,645	106,549
Total liabilities	1,515,310	437,534	1,952,844

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

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Group	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2020			
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
Total assets	982,962	1,863,076	2,846,038
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
Total liabilities	1,184,813	346,136	1,530,949

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

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Company	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2021			
Property, plant and equipment	-	52,101	52,101
Intangible assets	-	179,943	179,943
Investments:			
- AFS	-	1,496,868	1,496,868
Reinsurance assets	466,927	146,234	613,161
Insurance receivables	106,753	-	106,753
Loans and receivables (excluding insurance receivables)	686,954	5,293	692,247
Deferred tax asset	2,327	-	2,327
Cash and bank balances	49,514	-	49,514
Total assets	1,312,475	1,880,439	3,192,914
Insurance contract liabilities	1,322,513	415,889	1,738,402
Deferred tax liabilities	-	-	-
Tax payable	155	-	155
Other financial liabilities	28,228	-	28,228
Insurance payables	79,510	-	79,510
Other payables	84,614	21,645	106,259
Total liabilities	1,515,020	437,534	1,952,554

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

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Company	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2020			
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
Total assets	831,784	2,013,969	2,845,753
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
Total liabilities	1,184,528	346,136	1,530,664

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

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:

Group	Impact on profit before tax	Impact on profit after tax/ equity*
	RM'000	RM'000
31 December 2021		
Change in interest rates		
+ 50 basis points	9,810	7,455
- 50 basis points	(9,810)	(7,455)
31 December 2020		
Change in interest rates		
+ 50 basis points	8,966	6,814
- 50 basis points	(8,966)	(6,814)

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)

Company	Impact on profit before tax	Impact on profit after tax/ equity*
	RM'000	RM'000
31 December 2021		
Change in interest rates		
+ 50 basis points	2,666	2,026
- 50 basis points	(2,666)	(2,026)
31 December 2020		
Change in interest rates		
+ 50 basis points	1,932	1,469
- 50 basis points	(1,932)	(1,469)

* 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.

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.

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting.

	Group / Company	
	2021	2020
	RM'000	RM'000
Gross amounts of recognised		
- insurance receivables	107,372	105,302
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(619)	(6,187)
Net amounts of insurance receivables presented in the statements of financial position	106,753	99,115

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2021	2020
	RM'000	RM'000
Gross amounts of recognised		
- insurance payables	80,129	80,280
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(619)	(6,187)
Net amounts of insurance payables presented in the statements of financial position	79,510	74,093

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 2021, as prescribed under the Framework, is provided below:

	Note	Company 2021 RM'000	Company 2020 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		812,982	830,089
		1,216,453	1,233,560
Tier 2 Capital			
Available-for-sale reserve	13	16,711	74,333
Revaluation reserve	13	7,196	7,196
		23,907	81,529
Amounts deducted from Capital		(179,943)	(179,943)
Total Capital Available		1,060,417	1,135,146

The Company has met the minimum capital requirements specified in the Framework for the financial years ended 2021 and 2020.

35 SIGNIFICANT EVENT 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 the assets and liabilities, all of which may impact the 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.

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.

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").

	Note	Fair value as at 31.12.2021	Fair value as at 31.12.2020	Changes in fair value 2021	Changes in fair value 2020	Cash flows characteristic
Group		RM'000	RM'000			
Financial assets						
Malaysian Government Securities	6(c)	159,999	159,094	(6,942)	(1,333)	SPPI
Government Investment Issues	6(c)	120,178	91,301	(4,133)	(955)	SPPI
Corporate debt securities	6(c)	949,915	1,148,472	(59,948)	13,837	SPPI
Equity securities	6(c)	15,567	16,170	(604)	39	Non SPPI
Unit trusts	6(c)	80,207	210,474	(1,010)	(1,125)	Non SPPI
		1,325,866	1,625,511	(72,637)	10,463	
Loans and receivables*		858,547	567,942	-	-	SPPI
Cash and bank balances		49,572	40,806	-	-	SPPI
		2,233,985	2,234,259	(72,637)	10,463	
Company						
Financial assets						
Unit trusts		80,207	210,474	(1,010)	(1,125)	Non SPPI
Controlled structured entities		1,416,661	1,491,468	(74,808)	25,024	Non SPPI
	6(c)	1,496,868	1,701,942	(75,818)	23,899	
Loans and receivables*		687,313	491,281	-	-	SPPI
Cash and bank balances		49,514	40,751	-	-	SPPI
		2,233,695	2,233,974	(75,818)	23,899	

* Loans and receivables excluded prepayment of RM4,933,767 (2020: RM5,137,423).

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

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

31.12.2021	AAA	AA	A	BBB	Not rated	Total
Financial assets with SPPI cash flows						
Gross carrying amounts under MFRS						
Group						
Malaysian Government Securities	-	-	-	-	159,999	159,999
Government Investment Issues	-	-	-	-	120,178	120,178
Corporate debt securities	249,694	324,426	-	-	375,795	949,915
Loans and receivables						
Staff loans	-	-	-	-	600	600
Fixed and call deposits	351,476	379,939	-	77,331	-	808,746
Other receivables*	-	-	-	-	49,201	49,201
Cash and bank balances	40,597	7,315	1,577	-	83	49,572
Total	641,767	711,680	1,577	77,331	705,856	2,138,211
Company						
Loans and receivables						
Staff loans	-	-	-	-	600	600
Fixed and call deposits	180,242	379,939	-	77,331	-	637,512
Other receivables*	-	-	-	-	49,201	49,201
Cash and bank balances	40,597	7,315	1,577	-	25	49,514
Total	220,839	387,254	1,577	77,331	49,826	736,827

* Loans and receivables excluded prepayment of RM4,933,767

Financial assets with SPPI cash flows
All financial assets with SPPI cash flows of the Group and the Company as at 31 December 2021 have low credit risk.

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.

31.12.2020	AAA	AA	A	BBB	Not rated	Total
Financial assets with SPPI cash flows						
Gross carrying amounts under MFRS	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Group						
Malaysian Government Securities	-	-	-	-	159,094	159,094
Government Investment Issues	-	-	-	-	91,301	91,301
Corporate debt securities	221,601	364,212	5,158	13,451	544,050	1,148,472
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
Total	480,120	568,107	99,092	13,451	846,845	2,007,615
Company						
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
Total	181,858	203,895	93,935	-	52,344	532,032

* 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.