Registration No.

198601000381 (149520-U)

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

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2022

Registration No.
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CONTENTS

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
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DIRECTORS' REPORT

The Directors are pleased to submit their report to the member together with the audited financial statements of the Group and Company for the financial year ended 31 December 2022.

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	106,675	115,823

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 2021:	
Final dividend paid on 30 June 2022	50,000

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.

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

SHARE CAPITAL

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

CORPORATE GOVERNANCE

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

1. Board Responsibilities

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

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

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

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

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 four (4) 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*
Dang Kok Heng**	Independent 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 with the Policy Document.

** Mr. Dang Kok Heng was appointed to the Board on 1 March 2023.

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
77 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, and is Adviser to the Board of Petron Malaysia Refining and Marketing Berhad. He also sits on the boards of several private limited companies and acts as a Trustee of the National Heart Institute Foundation and Yayasan Universiti Multimedia and MICPA Education Trust Fund. He is a member and Chairman of the Financial Reporting Foundation (FRF), an appointment 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**
27 January 2022	BNM FIDE Forum Masterclasses during MyFintech Week 2022 Session A – Getting It Right: Securing Results from Digital Transformation Session B – Web 3.0 and the Future of Finance Session C – Deep dive into DeFi	BNM/FIDE Forum
21 March 2022	Conduct of Directors and Common Breaches of Listing Requirements	Land & General Bhd / CKM Advisory Sdn Bhd
9 May 2022	Khazanah's Board Continuous Development Programme – Taskforce for Climate Related Financial Disclosures	Khazanah Nasional Bhd
13 June 2022	ISSB-MASB OutReach Session on IFRS Sustainability Disclosure Exposure Drafts	MASB
30 August 2022	GC's Directors Engagement – Human Capital Management	Tokio Marine Asia Pte. Ltd
3 & 4 October 2022	Khazanah Megatrends Forum 2022 – Development & Its Complexities – Steering our way through a perfect storm	Khazanah Nasional Bhd
11 October 2022	Khazanah's Risk Appetite Statement (RAS) Workshop	Khazanah Nasional Bhd
14 November 2022	MFRS-17 Refresher Course	Tokio Marine Insurans (Malaysia) Berhad / KPMG
9 December 2022	Cyber Security Incident Management Training	Tokio Marine Insurans (Malaysia) Berhad / Deloitte

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yeoh Chong Keng
Independent Director
71 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**
27 January 2022	Lecture "Getting It Right : Securing Results from Digital Transformation."	BNM's My Fintech Week 2022 FIDE FORUM
9 June 2022	Stepping Up AMLA Compliance Best Practice & Challenges In Identifying The Beneficial Owner	Malaysia Institute of Accountants (MIA)
30 August 2022	GC's Directors Engagement – Human Capital Management	Tokio Marine Asia Pte. Ltd
14 November 2022	MFRS-17 Refresher Course	Tokio Marine Insurans (Malaysia) Berhad / KPMG
9 December 2022	Cyber Security Incident Management Training	Tokio Marine Insurans (Malaysia) Berhad / Deloitte

CORPORATE GOVERNANCE (CONTINUED)

3. Directors’ Profiles and Training (continued)

Datin Hayati Aman Binti Hashim
Independent Director
56 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 Pricewaterhouse 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, among others, she oversaw the evaluation of initial public offerings and reverse takeover applications and the relevant disclosure documents and provided 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
24 January 2022	New Director Onboarding Session	Tokio Marine Insurans (Malaysia) Berhad
27 January 2022	BNM MyFintech Week 2022 – Advancing Digitalisation	FIDE Forum
21 February 2022	CMDP Module 1 – Directors as Gatekeepers of Market Participants	SIDC
24 February 2022	CMDP Module 3 – Risk Oversight and Compliance	SIDC
25 February 2022	CMDP Module 4 – Emerging and Current Regulatory Issues in the Capital Market	SIDC
9 & 10 March 2022	Islamic Finance for Board of Directors	INCEIF/ISRA Consulting
11 March 2022	MICPA Technical Talk Series: Impact of Climate Risk on MFRS Reporting	MICPA/PWC
27 April 2022	Executive Masterclass: Developing Malaysia’s Roadmap to Net Zero	MICPA/PWC
24 May 2022	CMDP Module 2A – Business Challenges and Regulatory Expectations	SIDC
25 May 2022	CMDP Module 2B – Fund Management	SIDC
13 to 16 June 2022	FIDE Module A (Bank)	Asia School of Business/ FIDE Forum
13 July 2022	Introduction to Tax Corporate Governance Framework	KPMG
29 July 2022	Tax Investigation: A Step Up Into The Future	KPMG/IRB
5 August 2022	Directors’ Duties and Climate Change	Malaysian Bar Association/ Climate Governance Malaysia
8 to 11 August 2022	FIDE Module B (Bank)	Asia School of Business/ FIDE Forum

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

3. Directors’ Profiles and Training (continued)

Datin Hayati Aman Binti Hashim (continued)

Date of Training	Training / Conferences	Organiser of Training Programs / Conferences
30 August 2022	ISA 315 (Revised 2019) Identifying and Assessing Material Misstatement	Malaysia Institute of Accountants (MIA)
30 August 2022	GC’s Directors Engagement – Human Capital Management	Tokio Marine Asia Pte. Ltd
6 September 2022	ACGN and Sustainable Financing Asia Ltd Conversation on Climate Changes	Sustainable Financing Asia Ltd
7 September 2022	AML for Directors and Executives	Ambank/Anti-Financial Crime Portfolio Solutions for ACAMS
3 & 4 October 2022	Khazanah Megatrends Forum 2022 – Development & Its Complexities – Steering our way through a perfect storm	Khazanah Nasional Bhd
2 November 2022	Bursa’s Sustainability Reporting	KPMG
9 November 2022	Cyber Security Awareness Program: Emerging Trends and What You Need To Know As A Decision Maker	AmBank/ Asia Banking School
10 November 2022	Are We Reporting Enough?	MICPA
14 November 2022	MFRS-17 Refresher Course	Tokio Marine Insurans (Malaysia) Berhad / KPMG
9 December 2022	Cyber Security Incident Management Training	Tokio Marine Insurans (Malaysia) Berhad / Deloitte
13 December 2022	2022 MFRS Updates Seminar	KPMG

CORPORATE GOVERNANCE (CONTINUED)

3. Directors’ Profiles and Training (continued)

Dang Kok Heng
Independent Director
62 Male, Malaysian

Date of First Appointment: 1 March 2023

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

Mr. Dang graduated from University of Guelph, Ontario, Canada with a Bachelor of Science (Honours) major in Comp & Infor Science minor in Mathematics in 1983 and holds a Diploma in TQM (Total Quality Management) from Newport University USA in 1999. He also attended numerous courses such as Digital Transformation conducted by Boston Consulting Group and University of Virginia, Managing the Company of the Future conducted by London Business School and University of London during his career in IT.

Mr. Dang was appointed Chief Information Officer (“CIO”) of Sun Life Malaysia Assurance Berhad between 2013 to 2021 and subsequently appointed as Technical Advisor and acted as a mentor for the incoming CIO and supported management in advisory and direction on technology aspirations in relation to business strategies especially the Digital Enterprise until he retired in January 2022.

He has more than 30 years of experience in Information Technology (IT) in insurance industry, including role of a Vice President of IT at American International Assurance besides been appointed as its Head of Integration to lead and manage the integration of all aspects of IT in tandem with the amalgamation of business from the acquisition of another composite life insurer including its family takaful entity. Prior to that, he was the Head of Information Technology of Allianz General Insurance Company (Malaysia) Berhad.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yukio Arita
Executive Director *
54 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 with 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 Tokio Marine & Nichido Fire Insurance Co. Ltd. ("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 Chief Executive Officer and Chief Operating Officer of TMA and is responsible to oversee the functions of Corporate Planning, Finance & Investment, Human Resources and Legal & Compliance Departments.

CORPORATE GOVERNANCE (CONTINUED)

3. Directors' Profiles and Training (continued)

Yukio Arita (continued)

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

Date of Training	**Training / Conferences**	**Organiser of Training Programs / Conferences**
10 – 17 January 2022 27 February – 07 March 2022 9 – 12 August 2022	Financial Institutions Directors Education (FIDE) Program	Asia School of Business/ FIDE Forum
26 May 2022	The Future of Asia	NIKKEI
29 – 30 June 2022 15 and 26 July 2022	GC Nominee Directors & PIC Training	Tokio Marine Asia Pte. Ltd
30 August 2022	GC's Directors Engagement – Human Capital Management	Tokio Marine Asia Pte. Ltd
25 October 2022	Security Awareness Training	Tokio Marine Asia Pte. Ltd /NTT
14 November 2022	MFRS-17 Refresher Course	Tokio Marine Insurans (Malaysia) Berhad / KPMG
25 November 2022	Nomination & Remuneration Committee Training	TMHD/WTW
9 December 2022	Cyber Security Incident Management Training	Tokio Marine Insurans (Malaysia) Berhad / Deloitte

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	1
Yeoh Chong Keng	6	6
Yukio Arita	6	6
Datin Hayati Aman Binti Hashim	6	6*
Dang Kok Heng		Not applicable**

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

* Datin Hayati Aman Binti Hashim was appointed to the Board on 3 January 2022 and she had attended all meetings held during the year.

**Mr. Dang Kok Heng was appointed to the Board on 1 March 2023.

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	Not applicable
Dato' Zainal Abidin bin Putih	4	4
Datin Hayati Aman Binti Hashim	4	4*
Dang Kok Heng		Not applicable**

^ Ms. Yip Jian Lee retired on 28 February 2022 and no RMC meeting held prior to her retirement.

* Datin Hayati Aman Binti Hashim was appointed to the RMC on 28 February 2022 and she had attended all meetings held during the year.

** Mr. Dang Kok Heng was appointed to the RMC on 1 March 2023.

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 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	1
Dato' Zainal Abidin bin Putih	6	6
Yeoh Chong Keng	6	6
Datin Hayati Aman Binti Hashim – AC Chairman	6	5*
Dang Kok Heng		Not applicable**

^ Ms. Yip Jian Lee retired on 28 February 2022 and she attended 1 out of 1 meeting held prior to her retirement.

* Datin Hayati Aman Binti Hashim was appointed as the AC Chairman on 28 February 2022 and she has attended all the 5 meetings held after her appointment as the AC Chairman.

** Mr. Dang Kok Heng was appointed to the Board on 1 March 2023.

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. Seven (7) 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	7	7
Yukio Arita - Executive Director	7	7
Dato’ Zainal Abidin Bin Putih - Independent Director	7	7
Yip Jian Lee - Independent Director ^	7	1
Datin Hayati Aman Binti Hashim - Independent Director	7	6*

^ Ms. Yip Jian Lee retired on 28 February 2022 and she attended 1 out of 1 meeting held prior to her retirement.

** Datin Hayati Aman Binti Hashim was appointed to the NC on 28 February 2022 and she had attended all the 6 meetings held after her appointment as the NC member.

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. Six (6) 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 ^	6	1
Dato' Zainal Abidin Bin Putih	6	6
Yeoh Chong Keng	6	6
Datin Hayati Aman Binti Hashim – RC Chairman	6	5*

^ Ms. Yip Jian Lee retired on 28 February 2022 and she attended 1 out of 1 meeting held prior to her retirement.

* Datin Hayati Aman Binti Hashim was appointed as the RC Chairman on 28 February 2022 and she had attended all the 5 meetings held after her appointment as the RC Chairman.

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 considers 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 functions 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 Operating Officer
- Chief Distribution Officer
- Deputy Chief Distribution Officer
- Chief Financial Officer
- Chief Underwriting Officer
- Chief Claims Officer
- Chief Information Officer
- Head, Human Resource

Other Key Responsible Persons
- Chief Internal Auditor (“CIA”)
- Head, Legal & Compliance
- Head, Enterprise Risk Management (“HERM”)
- Appointed Actuary
- Chief Information Security Officer

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 realisation 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.

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 2022 are shown in the following tables.

Name	Directorship / Designation	Fixed Remuneration Cash-based RM'000	Fixed Remuneration Shares and share-linked instrument RM'000	Fixed Remuneration Others RM'000	Variable Remuneration Cash-based RM'000	Variable Remuneration Shares and share-linked instrument RM'000	Variable Remuneration Others RM'000	Total value of remuneration awards for the financial year RM'000
Dato' Zainal Abidin Bin Putih	Chairman / Director	170	-	-	8	-	-	178
Yeoh Chong Keng	Director	125	-	-	8	-	-	133
Yip Jian Lee	Director	21	-	-	2	-	3	26
Datin Hayati Aman Binti Hashim	Director	114	-	-	7	-	-	121
Ng Hang Ming	Chief Executive Officer	1,455	-	28	662	-	-	2,145

Category	No of Headcount	Fixed Remuneration Cash-based RM'000	Fixed Remuneration Shares and share-linked instrument RM'000	Fixed Remuneration Others RM'000	Variable Remuneration Cash-based RM'000	Variable Remuneration Shares and share-linked instrument RM'000	Variable Remuneration Others RM'000	Total value of remuneration awards for the financial year RM'000
EXCO	9	6,087	-	301	2,022	-	-	8,410
Other Key Responsible Persons	5	1,658	-	-	491	-	-	2,149

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 2022.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy (continued)

Indemnity to Directors and Officers

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM20 million and RM43,258 respectively.

6. Risk Management and Internal Control Framework

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

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

Board responsibilities

The Board recognises the importance of a sound risk management and internal control framework as part of good corporate governance and 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 HERM 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
Datin Hayati Aman Binti Hashim
Dang Kok Heng (appointed on 1 March 2023)

In accordance with the Company's Constitution, Mr. Yeoh Chong Keng 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 1.1.2022	Acquired	Disposed	At 31.12.2022
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 page 23 of the Directors' Report) 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.

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’ remuneration for the financial year is as follows:

	Group RM’000	Company RM’000
Statutory audit	423	401
Other services	775	775

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

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2023.

SIGNED
DATIN HAYATI AMAN BINTI HASHIM
DIRECTOR

SIGNED
YEOH CHONG KENG
DIRECTOR

Kuala Lumpur

Registration No.

198601000381 (149520-U)

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 33 to 129 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 2022 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2022 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 21 March 2023.

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 33 to 129 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 21 March 2023.

Before me,

SIGNED

COMMISSIONER FOR OATHS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Tokio Marine Insurans (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, 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 2022 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 33 to 129.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

OTHER MATTERS

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

SIGNED	SIGNED
PRICEWATERHOUSECOOPERS PLT	CHAN SUET LYE
LLP0014401-LCA & AF 1146	03603/10/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
21 March 2023

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Property, plant and equipment	4	47,061	52,101	47,061	52,101
Intangible assets	5	179,943	179,943	179,943	179,943
Investments: Available-for-sale	6,7	1,744,097	1,325,866	1,809,056	1,496,868
Reinsurance assets	8	436,822	613,161	436,822	613,161
Insurance receivables	9	168,924	106,753	168,924	106,753
Loans and receivables (excluding insurance receivables)	10	621,446	863,481	556,630	692,247
Deferred tax assets	15	11,527	2,327	11,527	2,327
Income tax recoverable		2,833	-	2,833	-
Cash and bank balances		57,591	49,572	57,088	49,514
Total Assets		3,270,244	3,193,204	3,269,884	3,192,914
EQUITY AND LIABILITIES					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	902,351	845,676	878,805	812,982
Other reserves	13	(26,562)	(8,787)	(3,016)	23,907
Total Equity		1,279,260	1,240,360	1,279,260	1,240,360
Insurance contract liabilities	14	1,752,806	1,738,402	1,752,806	1,738,402
Provision for taxation		-	155	-	155
Other financial liabilities	16	41,403	28,228	41,403	28,228
Insurance payables	17	83,970	79,510	83,970	79,510
Other payables	18	112,805	106,549	112,445	106,259
Total Liabilities		1,990,984	1,952,844	1,990,624	1,952,554
Total Equity and Liabilities		3,270,244	3,193,204	3,269,884	3,192,914

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

Registration No.
198601000381 (149520-U)

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Gross earned premiums	19(a)	1,044,606	922,764	1,044,606	922,764
Premiums ceded to reinsurers	19(b)	(223,917)	(206,107)	(223,917)	(206,107)
NET EARNED PREMIUMS		820,689	716,657	820,689	716,657
Investment income	20	80,085	70,863	74,698	70,641
Realised (loss)/gain	21	(8,657)	1,995	2,112	1,286
Other operating income	22	932	535	932	535
Fee and commission income		51,483	47,062	51,483	47,062
OTHER REVENUE		123,843	120,455	129,225	119,524
TOTAL REVENUE		944,532	837,112	949,914	836,181
Gross claims paid		(733,384)	(360,203)	(733,384)	(360,203)
Claims ceded to reinsurers		356,508	57,105	356,508	57,105
Gross change to insurance contract liabilities		91,568	(406,506)	91,568	(406,506)
Change in insurance contract liabilities ceded to reinsurers		(180,672)	347,745	(180,672)	347,745
NET CLAIMS INCURRED		(465,980)	(361,859)	(465,980)	(361,859)
Other operating expense	22	(313)	(510)	(313)	(510)
Fair value losses	23	-	(13,285)	-	-
Fee and commission expense		(133,659)	(105,184)	(133,659)	(105,184)
Management expenses	24	(219,412)	(201,229)	(215,646)	(197,117)
Finance costs	25	(902)	(1,055)	(902)	(1,055)
OTHER EXPENSES		(354,286)	(321,263)	(350,520)	(303,866)
PROFIT BEFORE TAXATION		124,266	153,990	133,414	170,456
Taxation	26	(17,591)	(24,803)	(17,591)	(27,991)
NET PROFIT FOR THE FINANCIAL YEAR		106,675	129,187	115,823	142,465
Attributable to:					
- Owner of the Company		106,675	129,187	115,823	142,465
BASIC EARNINGS PER SHARE (SEN)	27	26	32	29	35

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

Registration No.
198601000381 (149520-U)

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit for the financial year		106,675	129,187	115,823	142,465
Other comprehensive loss:					
Items that may be subsequently reclassified to income statements					
Available-for-sale reserve					
- Net loss on fair value arising during the financial year and allowance for impairment transferred to income statements		(34,996)	(57,549)	(33,375)	(74,724)
- Net realised loss/(gain) transferred to income statements		8,719	(1,803)	(2,050)	(1,094)
		(26,277)	(59,352)	(35,425)	(75,818)
Tax effects	15	8,502	15,008	8,502	18,196
		(17,775)	(44,344)	(26,923)	(57,622)
Total comprehensive income for the financial year		88,900	84,843	88,900	84,843
Total comprehensive income attributable:					
- Owner of the Company		88,900	84,843	88,900	84,843

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

Registration No.
198601000381 (149520-U)

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

			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 2021		403,471	7,196	28,361	876,061	1,315,089
Net profit for the financial year		-	-	-	129,187	129,187
Other comprehensive loss 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
At 1 January 2022		403,471	7,196	(15,983)	845,676	1,240,360
Net profit for the financial year		-	-	-	106,675	106,675
Other comprehensive loss for the financial year		-	-	(17,775)	-	(17,775)
Dividend paid	28	-	-	-	(50,000)	(50,000)
At 31 December 2022		403,471	7,196	(33,758)	902,351	1,279,260

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Share capital RM'000	Revaluation reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total equity RM'000
			Non-distributable		Distributable	
Company						
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 loss 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
At 1 January 2022		403,471	7,196	16,711	812,982	1,240,360
Net profit for the financial year		-	-	-	115,823	115,823
Other comprehensive loss for the financial year		-	-	(26,923)	-	(26,923)
Dividend paid	28	-	-	-	(50,000)	(50,000)
At 31 December 2022		403,471	7,196	(10,212)	878,805	1,279,260

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

Registration No.
198601000381 (149520-U)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	106,675	129,187	115,823	142,465
Adjustment of:				
Property, plant and equipment				
- depreciation	7,423	6,325	7,423	6,325
- gain on disposal	(62)	(192)	(62)	(192)
- write-offs	-	6	-	6
Depreciation for right-of-use (“ROU”) assets	7,105	7,360	7,105	7,360
Amortisation of asset restoration	93	105	93	105
Interest on lease liability	902	1,055	902	1,055
Loss/(gain) on disposal of available-for-sale financial assets	8,719	(1,803)	(2,050)	(1,094)
Investment income	(80,085)	(70,863)	(74,698)	(70,641)
Allowance for impairment of investments	-	13,285	-	-
Write-back of allowance for impairment of insurance, other receivables and reinsurance assets	(1,996)	(1,859)	(1,996)	(1,859)
Bad debts written back	(815)	(346)	(815)	(346)
Tax expense	17,591	24,803	17,591	27,991
	65,550	107,063	69,316	111,175
Purchases of investments	(1,244,988)	(645,133)	(520,473)	(80,567)
Proceeds from disposal of investments	782,993	867,167	174,910	210,917
Decrease/(increase) in reinsurance assets	177,702	(342,925)	177,702	(342,925)
Increase in insurance receivables	(60,755)	(4,946)	(60,755)	(4,946)
Decrease/(increase) in loans and receivables	239,716	(291,108)	133,285	(196,540)
Increase in insurance contract liabilities	14,404	427,072	14,404	427,072
Increase in other financial liabilities	13,175	9,179	13,175	9,179
Increase in insurance payables	4,460	5,417	4,460	5,417
Increase in other payables	10,180	1,599	10,110	1,594
	2,437	133,385	16,134	140,376

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax paid	(21,278)	(30,480)	(21,278)	(30,480)
Investment income received:				
- Interest	89,444	75,265	13,474	11,190
- Dividend	1,760	3,100	63,588	60,181
Interest paid on lease liabilities	(902)	(1,055)	(902)	(1,055)
Net cash generated from operating activities	71,461	180,215	71,016	180,212
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(7,735)	(6,450)	(7,735)	(6,450)
Proceeds from disposal of property, plant and equipment	62	192	62	192
Net cash used in investing activities	(7,673)	(6,258)	(7,673)	(6,258)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liabilities	(5,769)	(5,619)	(5,769)	(5,619)
Dividend paid	(50,000)	(159,572)	(50,000)	(159,572)
Net cash used in financing activities	(55,769)	(165,191)	(55,769)	(165,191)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	8,019	8,766	7,574	8,763
CASH AND CASH EQUIVALENTS AT 1 JANUARY	49,572	40,806	49,514	40,751
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	57,591	49,572	57,088	49,514
Cash and bank balances	57,591	49,572	57,088	49,514

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Reconciliation of liabilities arising from financing activities

	Group/Company	
	2022	2021
	RM'000	RM'000
Lease liabilities		
At 1 January	24,277	27,393
Cash flows	(6,671)	(6,674)
Interest charge	902	1,055
Lease addition	1,751	2,503
At 31 December	20,259	24,277

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 21 March 2023.

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 2022

- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Amendments to MFRS 16 "Covid-19 Related Rent Concessions" beyond 30 June 2021
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to MFRS 1 "Subsidiary as First-time Adopter"
- Annual Improvements to MFRS 9 "Fees in the '10 percent' for Derecognition of Financial Liabilities"
- Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases: Lease Incentives'
- Annual Improvements to MFRS 141 "Taxation in Fair Value Measurements"

The application of the new standards, amendments to standards and interpretations effective for the financial year beginning on or after 1 January 2022 are not expected to have any material financial impact to the current or future periods.

(ii) Financial year beginning on or after 1 January 2023

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.

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 2023 (continued)

MFRS 17 “Insurance Contracts” (continued)

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. This general measurement model 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 (“GMM model”). 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 (“PAA”) 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.

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 2023 (continued)

MFRS 17 "Insurance Contracts" (continued)

Impact assessment

The Company shall apply the default GMM model for liability for remaining coverage ("LRC") and liability for incurred claims ("LIC") for all its insurance contracts. However, PAA eligibility assessment shall be performed if PAA is to be adopted for the valuation of LRC for certain contracts which have coverage period of a year or less or/and are expected to produce similar results to GMM.

Changes from MFRS 4	Impact on equity on transition to MFRS 17
Under MFRS 17, the Company is required to discount the future cash flows when measuring liabilities for incurred claims. The Company does not currently discount such future cash flows.	Increase
MFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently.	Decrease
The Company's accounting policy under MFRS 17 to defer and amortise the attributable expenses over the attributable period differs from current practice in which these expenses are recognised in profit and loss when incurred.	Increase
For onerous contract, the loss component will be measured and recognised in the statement of comprehensive income immediately.	Decrease

Transition

The Company will apply the full retrospective approach to all insurance contracts.

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 2023 (continued)

MFRS 9 "Financial Instruments"

MFRS 9 replaces the guidance in MFRS 139 "Financial Instruments: Recognition and Measurement" on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value on OCI (provided the instrument is not held for trading). A debt instruments is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

Impact assessment

MFRS 9 will affect the classification and measurement of the Group and the Company's financial assets held at 1 January 2023 as follows:

Group	MFRS 139	MFRS 9
Investment in unit trusts	Available-for-sale ("AFS")	FVTPL
Investment in controlled structured entities	AFS	FVOCI
Loans and receivables	Amortised cost	Amortised cost

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 2023 (continued)

MFRS 9 "Financial Instruments" (continued)

Company	MFRS 139	MFRS 9
Investment in unit trusts	AFS	FVTPL
Investment in controlled structured entities	AFS	FVTPL
Loans and receivables	Amortised cost	Amortised cost

The impact on impairment under MFRS 9 will be subject to the economic factors applied in the new ECL model and which will be determined on a probability-weighted basis.

The Company estimates that application of the MFRS 9 impairment requirements at 1 January 2023 will result in additional loss allowance to investment in controlled structured entities measured at FVOCI for the Group. However, this will not affect the Group's total equity because the recognition of loss allowance will not reduce the carrying amount of the investments, which is at their fair value. Instead, the recognition of impairment losses in profit or loss will give rise to an equal and opposite gain in OCI.

Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will be applied retrospectively.

As permitted by the transitional provisions of MFRS 9, the Company elected not to restate comparative figures and continued to report these comparative figures under the previous accounting policies governed under MFRS 139. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained profits and other reserves of the current financial year.

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 2023 (continued)

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.

(iii) Financial year beginning on or after 1 January 2024 (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. If the right to defer settlement of a liability is subject to the entity complying with specific conditions (for example, debt covenants), the right exists at the end of the reporting period based on its compliance with the conditions required on or before the reporting date (even if tested only after period end). Conditions that an entity is required to comply only within 12 months after the reporting period do not affect the classification of liability as current or non-current at reporting date.

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.

Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback'

The amendments specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale. In accordance with the amendments, the seller-lesser shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

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 2023 are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

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 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 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 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 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 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 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 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 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 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 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 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 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 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through 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 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 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 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 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 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 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 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 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)

(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 3.45% 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 2022.

(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	
	2022	2021
	RM'000	RM'000
Property, plant and equipment owned	18,832	18,520
Right-of-use ("ROU") assets	28,229	33,581
	47,061	52,101

Property, plant and equipment owned

	Furniture and fittings	Motor vehicles	Office equipment and computers	Total
	RM'000	RM'000	RM'000	RM'000
Group / Company				
Cost				
At 1 January 2022	13,782	2,606	54,333	70,721
Additions	53	316	7,366	7,735
Disposals	-	-	(981)	(981)
Write-offs	(1)	-	(71)	(72)
At 31 December 2022	13,834	2,922	60,647	77,403
Accumulated depreciation				
At 1 January 2022	7,887	1,770	42,544	52,201
Charge for the financial year	1,525	460	5,438	7,423
Disposals	-	-	(981)	(981)
Write-offs	(1)	-	(71)	(72)
At 31 December 2022	9,411	2,230	46,930	58,571
Net book value				
At 31 December 2022	4,423	692	13,717	18,832

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 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)

Right-of-use ("ROU") assets

	Leasehold land and building RM'000	Properties RM'000	Total RM'000
Group / Company			
Valuation/Cost			
At 1 January 2022	12,000	39,177	51,177
Additions	-	1,835	1,835
Termination/expiry	-	(959)	(959)
At 31 December 2022	12,000	40,053	52,053
Accumulated depreciation			
At 1 January 2022	2,566	15,030	17,596
Charge for the financial year	349	6,756	7,105
Termination/expiry	-	(877)	(877)
At 31 December 2022	2,915	20,909	23,824
Net book value			
At 31 December 2022	9,085	19,144	28,229

	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

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group / Company	
	2022	2021
	RM'000	RM'000
Interest expense	902	1,055
Total cash outflow for leases	6,671	6,674

The Group and the Company leased various offices and premises. Rental contracts are typically made for fixed periods of 2 to 5 years (2021: 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	
	2022	2021
	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 2022, the carrying amount of goodwill arising from the business acquisitions of AGIB, AIMB and MUI remained at RM13,666,666 (2021: RM13,666,666), RM13,263,065 (2021: RM13,263,065) and RM153,013,485 (2021: 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 2023 to 2025. 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 year 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 are as follows:

(a) Average premium growth rate of 4.7% (2021: 7.6%) per annum has 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 business.

(b) Loss ratios of 59.1% (2021: 58.8%) per annum have been projected having considered management’s strategy for premium growth as well as past developments with respect to loss development patterns. The loss ratios are expected to remain at the existing levels.

(c) A discount rate of 10% (2021: 9%) 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% (2021: 3.5%) per annum.

The recoverable amount of the CGU is estimated to be RM2,116,000,000 (2021: RM2,113,000,000).

5 INTANGIBLE ASSETS (CONTINUED)

The Group and the Company have performed a sensitivity analysis on the key assumptions and believe 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.

		2022		2021
	From	To	From	To
	%	%	%	%
Loss ratio	59.1	64.8	58.8	65.3
Perpetual margin growth rate	3.5	-1.8	3.5	-2.0

6 INVESTMENTS

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

		Group		Company
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")				
- Unit trusts	79,804	80,207	1,809,056	1,496,868
- Debt securities	1,664,293	1,230,092	-	-
- Equity securities	-	15,567	-	-
	1,744,097	1,325,866	1,809,056	1,496,868
Loans and receivables ("LAR") (Note 10)	621,446	863,481	556,630	692,247
	2,365,543	2,189,347	2,365,686	2,189,115

Current:

		Group		Company
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
AFS	17,806	121,390	-	-
LAR	618,033	859,669	553,217	688,435
	635,839	981,059	553,217	688,435

Non-current:

		Group		Company
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
AFS	1,726,291	1,204,476	1,809,056	1,496,868
LAR	3,413	3,812	3,413	3,812
	1,729,704	1,208,288	1,812,469	1,500,680

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fair value				
Equity securities	-	15,527	-	-
Malaysian Government Securities	148,874	159,300	-	-
Government Investment Issues	146,136	119,153	-	-
Corporate debt securities:				
Unquoted	1,353,969	938,862	-	-
	1,648,979	1,232,842	-	-
Unit trusts	79,804	80,207	79,804	80,207
Controlled structured entities (Note 7)	-	-	1,729,252	1,416,661
	1,728,783	1,313,049	1,809,056	1,496,868
Accrued interest income				
Equity securities	-	40	-	-
Malaysian Government Securities	898	699	-	-
Government Investment Issues	1,184	1,025	-	-
Corporate debt securities:				
Unquoted	13,232	11,053	-	-
	15,314	12,817	-	-
	1,744,097	1,325,866	1,809,056	1,496,868

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial assets

Group	AFS RM'000	Total RM'000
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
At 1 January 2022	1,325,866	1,325,866
Purchases	1,244,988	1,244,988
Disposals	(791,712)	(791,712)
Amortisation	(1,157)	(1,157)
Fair value losses recorded in:		
Other comprehensive income	(26,277)	(26,277)
Movement in investment income due and accrued	(7,611)	(7,611)
At 31 December 2022	1,744,097	1,744,097

Company	AFS RM'000	Total RM'000
At 1 January 2021	1,701,942	1,701,942
Purchases	80,567	80,567
Disposals	(209,823)	(209,823)
Fair value losses recorded in:		
Other comprehensive income	(75,818)	(75,818)
At 31 December 2021	1,496,868	1,496,868
At 1 January 2022	1,496,868	1,496,868
Purchases	520,473	520,473
Disposals	(172,860)	(172,860)
Fair value losses recorded in:		
Other comprehensive income	(35,425)	(35,425)
At 31 December 2022	1,809,056	1,809,056

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets

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

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2022			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	-	149,772	149,772
- Government Investment Issues	-	147,320	147,320
- Corporate debt securities	-	1,367,201	1,367,201
- Unit trusts	79,804	-	79,804
	79,804	1,664,293	1,744,097
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

Company	Level 1 RM'000
31 December 2022	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	79,804
- Controlled structured entities	1,729,252
	1,809,056
31 December 2021	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	80,207
- Controlled structured entities	1,416,661
	1,496,868

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 2022 (2021: 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 RM1,729,251,431 (2021: RM1,416,660,310) 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 AHAM Capital Asset Management Berhad. 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 Low Risk Asset Fund and 100% of Affin Hwang Income Fund 6 (2021: 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.

	2022 RM	2021 RM
Number of wholesale unit trust fund	3	3
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund	0.9911	1.0158
Opus Specific Income Fund	-	1.0471
Opus Low Risk Asset Fund	0.9980	1.0252
Affin Hwang Income Fund 6	0.9991	-
Fair value of underlying net assets:		
Corporate debt securities	1,664,293,083	1,230,092,043
Equity securities	-	15,566,671
Deposits with licensed financial institutions	64,815,934	171,233,510
Cash equivalents	502,971	57,473
Payables	(360,557)	(289,387)
	1,729,251,431	1,416,660,310
Total fair value loss incurred for the financial year	(26,277,182)	(72,637,477)

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.

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 48.5% (2021: 55.7%) unitholdings of the Fund.

7 CONTROLLED STRUCTURED ENTITIES (CONTINUED)

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 does not fulfill these criteria based on their assessment of the Fund, hence do not consolidate Nomura i-Income Fund 2 in the Group's financial statements as at 31 December 2022.

According to MFRS 128 – Investment in Associates and Joint Ventures, associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The Group does not have significant influence and thus not apply equity method for its interest in Nomura i-Income Fund 2 as an associate.

8 REINSURANCE ASSETS

	Group / Company	
	2022	2021
	RM'000	RM'000
Reinsurance of insurance contracts (Note 14)	440,524	618,226
Allowance for impairment (Note 32)	(3,702)	(5,065)
	436,822	613,161

9 INSURANCE RECEIVABLES

	Group / Company	
	2022	2021
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	117,314	99,855
Due from reinsurers and cedants	53,999	9,888
	171,313	109,743
Allowance for impairment (Note 32)	(2,389)	(2,990)
	168,924	106,753

The Group and the Company offset the gross amount of insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 33 to the financial statements.

9 INSURANCE RECEIVABLES (CONTINUED)

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 RM109,000 (2021: RM316,000) 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 (2021: Nil).

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	567,925	804,097	503,119	632,871
Staff loans	415	649	415	649
Allowance for impairment	(17)	(49)	(17)	(49)
	398	600	398	600
	568,323	804,697	503,517	633,471
Interest income receivable				
Fixed and call deposits with licensed financial institutions	2,287	4,649	2,277	4,641
Other receivables				
Knock-for-knock claims Recoveries	224	491	224	491
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	40,751	44,927	40,751	44,927
Other receivables	3,573	3,783	3,573	3,783
Prepayments	6,288	4,934	6,288	4,934
	50,836	54,135	50,836	54,135
	621,446	863,481	556,630	692,247
Fair value				
Fixed and call deposits with licensed financial institutions	570,212	808,746	505,396	637,512
Staff loans [net of impairment allowance of RM16,938 (2021: RM49,238)]	398	600	398	600
Other receivables	50,836	54,135	50,836	54,135
	621,446	863,481	556,630	692,247

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 2022 is a net receivable of RM24,347,382 (2021: RM21,953,837) 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	
	2022	2021
	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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revaluation reserve				
At 1 January / 31 December	7,196	7,196	7,196	7,196
Available-for-sale reserve				
At 1 January	(15,983)	28,361	16,711	74,333
Fair value loss arising during the financial year	(26,986)	(52,900)	(25,365)	(56,790)
Allowance for impairment transferred to income statements	-	10,097	-	-
Transfer to income statements	9,211	(1,541)	(1,558)	(832)
At 31 December	(33,758)	(15,983)	(10,212)	16,711
Total	(26,562)	(8,787)	(3,016)	23,907

14 INSURANCE CONTRACT LIABILITIES

Group / Company	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
Provision for outstanding claims	750,037	(247,794)	502,243	782,793	(362,492)	420,301
Provision for incurred but not reported claims ("IBNR")	442,841	(144,934)	297,907	501,653	(210,908)	290,745
Claims liabilities (i)	1,192,878	(392,728)	800,150	1,284,446	(573,400)	711,046
Premium liabilities (ii)	559,928	(47,796)	512,132	453,956	(44,826)	409,130
	1,752,806	(440,524)	1,312,282	1,738,402	(618,226)	1,120,176

(i) Claims liabilities

	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
At 1 January	1,284,446	(573,400)	711,046	877,940	(225,655)	652,285
Claims incurred in the current accident year	681,415	(222,902)	458,513	590,979	(281,516)	309,463
Other movements in claims incurred in prior accident years	19,213	(18,908)	305	(7,716)	(2,772)	(10,488)
Movement of IBNR at 75% confidence level	(58,812)	65,974	7,162	183,446	(120,562)	62,884
Claims paid during the financial year	(733,384)	356,508	(376,876)	(360,203)	57,105	(303,098)
At 31 December	1,192,878	(392,728)	800,150	1,284,446	(573,400)	711,046

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group / Company	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
(ii) Premium liabilities						
At 1 January	453,956	(44,826)	409,130	433,390	(49,646)	383,744
Premiums written in the year (Note 19)	1,150,578	(226,887)	923,691	943,330	(201,287)	742,043
Premiums earned during the financial year (Note 19)	(1,044,606)	223,917	(820,689)	(922,764)	206,107	(716,657)
At 31 December	559,928	(47,796)	512,132	453,956	(44,826)	409,130

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	
	2022	2021
	RM'000	RM'000
Deferred tax assets	11,527	2,327
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	573	718
- Reinsurance assets	888	1,215
- Other receivables	4	12
- Other payables	5,980	6,378
- Property, plant and equipment	658	-
- Financial assets at AFS	3,225	-
- Premium liabilities	199	-
	11,527	8,323
Offsetting	-	(5,996)
Deferred tax assets (after offsetting)	11,527	2,327
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	-	496
- Premium liabilities	-	223
- Financial assets at AFS	-	5,277
	-	5,996
Offsetting	-	(5,996)
Deferred tax liabilities (after offsetting)	-	-

15 DEFERRED TAXATION (CONTINUED)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	2,327	(15,873)	2,327	(15,873)
(Charged)/credited to income statements (Note 26)				
- Insurance receivables	(145)	(563)	(145)	(563)
- Reinsurance assets	(327)	121	(327)	121
- Other receivables	(8)	(4)	(8)	(4)
- Other payables	(398)	(697)	(398)	(697)
- Property, plant and equipment	1,154	1,354	1,154	1,354
- Premium liabilities	422	(207)	422	(207)
- Financial assets at AFS	-	3,188	-	-
	698	3,192	698	4
Credited to equity:				
- Financial assets at AFS	8,502	15,008	8,502	18,196
	8,502	15,008	8,502	18,196
At 31 December	11,527	2,327	11,527	2,327

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2022 RM'000	2021 RM'000
Deposits received from reinsurers	41,403	28,228

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	
	2022	2021
	RM'000	RM'000
Due to agents and intermediaries	27,002	30,089
Due to reinsurers and cedants	56,968	49,421
	83,970	79,510

The Group and the Company offset the gross amount of 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 RM59,171,000 (2021: RM41,657,000) 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 (2021: Nil).

18 OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Lease liabilities	20,259	24,277	20,259	24,277
Asset restoration	3,188	3,092	3,188	3,092
Cash collaterals held on contract bonds	3,115	2,219	3,115	2,219
Payroll liabilities	36,202	32,790	36,202	32,790
Service tax payable	11,634	9,919	11,634	9,919
Provision of financial penalty*	14,669	14,669	14,669	14,669
Other payables and accrued expenses	23,738	19,583	23,378	19,293
	112,805	106,549	112,445	106,259

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 2022.

18 OTHER PAYABLES (CONTINUED)

The significant related party balance at the end of the financial year between the Company and its related parties on the other payables is RM1,351,000 (2021: RM1,100,000) as disclosed in Note 30 (a) to the financial statements.

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

	Group/Company	
	2022	2021
	RM'000	RM'000
Lease liabilities and asset restoration		
Current	5,634	5,725
Non-current	17,813	21,644
	23,447	27,369

19 NET EARNED PREMIUMS

		Group / Company	
		2022	2021
		RM'000	RM'000
(a)	Gross earned premiums		
	Insurance contracts (Note 14)	1,150,578	943,330
	Change in gross premium liabilities	(105,972)	(20,566)
		1,044,606	922,764
(b)	Premiums ceded to reinsurers		
	Insurance contracts (Note 14)	(226,887)	(201,287)
	Change in reinsurance premium liabilities	2,970	(4,820)
		(223,917)	(206,107)
	Net earned premiums (Note 14)	820,689	716,657

20 INVESTMENT INCOME

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
AFS financial assets:				
Interest income	66,025	55,097	-	-
Dividend income				
- Controlled structured entities	-	-	61,828	57,081
- Unit trusts	1,760	3,100	1,760	3,100
LAR financial assets – interest Income	12,300	12,666	11,110	10,460
	80,085	70,863	74,698	70,641

21 REALISED (LOSS)/GAIN

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised gain	62	192	62	192
AFS financial assets:				
Realised (loss)/gain:				
Corporate debt securities – unquoted in Malaysia	(8,740)	709	-	-
Unit trusts	21	1,094	2,050	1,094
	(8,657)	1,995	2,112	1,286

22 OTHER OPERATING INCOME/(EXPENSE)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Agency fees received	932	535	932	535
	932	535	932	535
Other operating expense				
Other expense	(313)	(510)	(313)	(510)
	(313)	(510)	(313)	(510)

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23 FAIR VALUE LOSSES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Financial investments - available-for-sale	-	(13,285)	-	-

24 MANAGEMENT EXPENSES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 24(a))	137,428	127,214	137,428	127,214
Directors' remuneration (Note 24(b))	455	438	455	438
Auditors' remuneration:				
- statutory audit	423	356	401	335
- other services	775	31	775	31
Depreciation of property, plant and equipment	7,423	6,325	7,423	6,325
Depreciation of ROU assets	7,105	7,360	7,105	7,360
Allowance for/ (Write-back of allowance for) impairment:				
- Reinsurance assets	(1,363)	505	(1,363)	505
- Insurance receivables	(601)	(2,346)	(601)	(2,346)
- Loans and receivables	(32)	(18)	(32)	(18)
Bad debts written back	(815)	(346)	(815)	(346)
Rental of office premises	1,210	1,396	1,210	1,396
Entertainment	5,127	11,051	5,127	11,051
Training expenses	2,182	1,460	2,182	1,460
Management fees*	5,020	3,219	5,020	3,219
Repairs and maintenance	786	663	786	663
Motor vehicle expenses	3,304	2,488	3,304	2,488
Travelling	488	69	488	69
Advertising	2,135	930	2,135	930
Printing and stationery	6,227	5,480	6,227	5,480
Postage and telephone	2,229	1,748	2,229	1,748
Electronic data processing expenses	20,606	15,414	20,606	15,414
Bank collection charges	7,080	5,937	7,080	5,937
Other expenses	12,220	11,855	8,476	7,764
	219,412	201,229	215,646	197,117

* Included in management fees are management fees payable/paid to related parties of RM1,869,481 (2021: RM980,924) as disclosed in Note 30 (a) to the financial statements.

24 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2022	2021
	RM'000	RM'000
Staff salary and bonus	116,494	108,334
Social security contributions	736	694
Contributions to Employees' Provident Fund	15,687	14,739
Other benefits	4,511	3,447
	137,428	127,214

(b) Directors' remuneration

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

	Group / Company	
	2022	2021
	RM'000	RM'000
Executive:		
Fees	-	-
Other benefits	-	-
	-	-
Non-Executive:		
Fees	430	420
Other benefits	25	18
	455	438
	455	438
Represented by:		
Directors' fees	430	420
Amount included in employee benefits expense	25	18
	455	438

The estimated cash value of benefits-in-kind provided to the Directors of the Group and the Company amounted to RM2,551 (2021: 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 RM2,145,000 (2021: RM1,974,000).

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	2022	2021
Executive Directors		
Below RM50,000	-	-
Non-Executive Directors		
Below RM50,000	1	-

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
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer						
- Ng Hang Ming	-	1,242	576	273	54	2,145
Non-Executive Directors						
- Dato' Zainal Abidin Bin Putih	170	-	-	8	-	178
- Yeoh Chong Keng	125	-	-	8	-	133
- Yip Jian Lee	21	-	-	2	3	26
- Datin Hayati Aman Binti Hashim	114	-	-	7	-	121
	430	1,242	576	298	57	2,603
2021						
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

25 FINANCE COSTS

	Group / Company	
	2022 RM'000	2021 RM'000
Interest on lease liabilities	902	1,055

26 TAXATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current income tax:				
Current financial year	18,705	27,355	18,705	27,355
(Over)/under provision in prior financial years	(416)	640	(416)	640
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(698)	(3,192)	(698)	(4)
	17,591	24,803	17,591	27,991

The income taxes for the Group and the Company are calculated based on the tax rate of 24% (2021: 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	124,266	153,990	133,414	170,456
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	29,824	36,958	32,019	40,909
Income not subject to tax	(13,104)	(13,665)	(15,299)	(14,428)
Expenses not deductible for tax purposes	1,287	870	1,287	870
(Over)/under provision in prior years	(416)	640	(416)	640
Tax expense for the year	17,591	24,803	17,591	27,991

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders	106,675	129,187	115,823	142,465
Weighted average number of shares in issue	403,471	403,471	403,471	403,471
Basic earnings per share (sen)	26	32	29	35

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	
	2022	2021
	RM'000	RM'000
Interim and final single-tier dividend paid	50,000	159,572
Dividend rate (%)	12.39	39.55
Dividend per share (sen)	0.1239	0.3955

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

29 CAPITAL COMMITMENTS

	Group / Company	
	2022	2021
	RM'000	RM'000
Capital expenditure		
Approved and contracted for	2,500	140
	2,500	140

30 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and the Company as at 31 December 2022, 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
Tokio Marine Life Insurance Malaysia Bhd	Malaysia	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	
	2022	2021
	RM'000	RM'000
Transactions with immediate holding corporation:		
Expenses recharge*	(920)	(692)
Risk management fees paid*	(653)	(67)
Expatriates' remuneration	(919)	(810)
Others	(536)	(469)

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	
	2022	2021
	RM'000	RM'000
Transactions with penultimate holding corporation:		
Premium ceded	(40,149)	(34,316)
Claims recoveries and paid	23,129	7,360
Commission received	7,545	6,198
Risk management fee paid*	(3)	-
Agency fees received	842	429
Expatriates' remuneration	(2,367)	(2,960)
Interest expenses on treaty withheld	(173)	(146)
Others	(769)	(470)

Transactions with other related corporations:

Group / Company 2022	Asia RM'000	Europe RM'000	North America RM'000	Total RM'000
Premium ceded	(33,910)	(199)	-	(34,109)
Claims recoveries and paid	38,766	-	-	38,766
Commission received	4,989	15	-	5,004
Agency fees received	87	-	4	91
Rental paid	(450)	-	-	(450)
Risk management fees paid*	(108)	-	-	(108)
Secretarial fee paid*	(185)			(185)
Others	(381)	-	-	(381)
Interest expenses on treaty withheld	(165)	-	-	(165)

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)
Secretarial fee paid*	(118)			(118)
Others	(425)	-	-	(425)
Interest expenses on treaty withheld	(111)	-	-	(111)
Expatriates' remuneration	(9)	-	-	(9)

*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	
	2022	2021
	RM'000	RM'000
Insurance receivables		
Claim recoveries due from related corporations	109	316
Insurance payables		
Reinsurance premiums due to penultimate holding corporation	(40,818)	(29,076)
Reinsurance premiums due to related corporations	(18,353)	(12,581)
Other payable due to immediate holding corporation	(1,307)	(1,071)
Other payable due to related corporation	(44)	(29)
Other receivables due from related corporation	177	177

(b) Key management personnel's remuneration

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

	Group / Company	
	2022	2021
	RM'000	RM'000
Salary	7,749	7,632
Bonus	2,809	2,287
Defined contribution plan	1,311	1,137
Other benefits	835	978
	12,704	12,034

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 RM2,551 (2021: 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 2022			31 December 2021		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	606,662	(42,885)	563,777	556,703	(51,430)	505,273
Fire	282,576	(223,986)	58,590	430,733	(372,601)	58,132
Marine, Aviation and Transit	56,595	(18,161)	38,434	70,787	(40,292)	30,495
Miscellaneous	247,045	(107,696)	139,349	226,223	(109,077)	117,146
	1,192,878	(392,728)	800,150	1,284,446	(573,400)	711,046

31 INSURANCE RISK (CONTINUED)

Key assumptions

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

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

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

Sensitivity analysis

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

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

Group / Company	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
31 December 2022					
Claim Liabilities					
IELR in the last	+10%	80,233	46,738	(46,738)	(35,521)
accident year	-10%	(80,230)	(46,734)	46,734	35,518
First incurred	+10%	17,299	16,881	(16,881)	(12,829)
development factor	-10%	(17,299)	(16,881)	16,881	12,829
Claim handling	+1%	7,580	7,544	(7,544)	(5,733)
expenses	-1%	(7,580)	(7,544)	7,544	5,733
Provision for	+5%	43,625	29,804	(29,804)	(22,651)
Adverse Deviation	-5%	(43,625)	(29,804)	29,804	22,651

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 2022					
Premium Liabilities					
URR Loss Ratio	+10%	49,772	42,743	(42,743)	(32,484)
	-10%	(42,927)	(42,743)	42,743	32,484
Maintenance	+3%	17,559	17,252	(17,252)	(13,112)
Expense Ratio	-3%	(17,559)	(17,252)	17,252	13,112
Provision for	+5%	19,899	18,551	(18,551)	(14,099)
Adverse Deviation	-5%	(19,899)	(18,551)	18,551	14,099
31 December 2021					
Claim Liabilities					
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
Premium Liabilities					
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

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 the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Group and the Company consider 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 2022:

Group / Company	Prior RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Accident year									
At end of accident year		700,637	814,626	655,991	587,431	514,209	798,394	829,249	
One year later		656,424	775,203	598,624	553,704	446,167	693,013		
Two years later		637,667	771,843	584,165	547,341	432,052			
Three years later		633,502	764,147	585,933	535,722				
Four years later		628,402	752,476	571,633					
Five years later		621,664	749,420						
Six years later		612,752							
Current estimate of cumulative claims incurred		612,752	749,420	571,633	535,722	432,052	693,013	829,249	4,423,841
At end of accident year		322,983	379,658	305,656	251,841	191,058	173,016	338,309	
One year later		518,943	608,006	457,665	387,014	299,613	483,176		
Two years later		567,346	670,140	496,903	428,150	334,865			
Three years later		588,332	697,881	513,276	448,546				
Four years later		601,238	710,152	526,472					
Five years later		605,185	718,501						
Six years later		606,315							
Current payments to-date		606,315	718,501	526,472	448,546	334,865	483,176	338,309	3,456,184
Direct and facultative inwards	29,111	6,437	30,919	45,161	87,176	97,187	209,837	490,940	996,768
Treaty Inwards									2,827
MMIP									15,612
		Best estimate of claim liabilities							1,015,207
		Claim handling expenses							26,886
		Fund PRAD at 75% Confidence Interval							150,785
		Gross general insurance claims liabilities							1,192,878

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)

Net General Insurance Claims Liabilities for 2022:

Group / Company	Prior RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Accident year									
At end of accident year		612,038	684,740	567,787	481,878	430,252	427,113	548,980	
One year later		594,500	668,677	538,261	455,322	378,645	376,140		
Two years later		581,096	661,317	534,314	452,552	369,769			
Three years later		576,520	659,239	535,570	450,619				
Four years later		571,886	648,492	523,804					
Five years later		566,048	645,670						
Six years later		557,762							
Current estimate of cumulative claims incurred		557,762	645,670	523,804	450,619	369,769	376,140	548,980	3,472,744
At end of accident year		307,481	353,509	289,635	232,048	174,369	157,547	224,744	
One year later		480,254	532,026	424,422	345,140	263,750	251,698		
Two years later		523,678	582,893	458,860	372,695	290,137			
Three years later		541,878	604,838	474,419	384,867				
Four years later		550,000	613,108	485,881					
Five years later		550,986	619,261						
Six years later		552,088							
Current payments to-date		552,088	619,261	485,881	384,867	290,137	251,698	224,744	2,808,676
Direct and facultative Inward	5,260	5,674	26,409	37,923	65,752	79,632	124,442	324,236	669,328
Treaty Inwards									2,827
MMIP									15,612
		Best estimate of claim liabilities							687,767
		Claim handling expenses							26,886
		Fund PRAD at 75% Confidence Interval							82,922
		Commuted reinsurance provision							2,575
		Net general insurance claims liabilities							800,150

31 INSURANCE RISK (CONTINUED)

Net 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		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

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 include 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	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
LAR (excluding insurance receivables)	10				
- Staff loans		398	600	398	600
- Fixed and call deposits		570,212	808,746	505,396	637,512
- Other receivables*		44,548	49,201	44,548	49,201
AFS financial assets	6(a)				
- Malaysian Government Securities		149,772	159,999	-	-
- Government Investment Issues		147,320	120,178	-	-
- Corporate debt securities		1,367,201	949,915	-	-
- Equity securities		-	15,567	-	-
- Unit trusts		79,804	80,207	1,809,056	1,496,868
Reinsurance assets - claim liabilities		389,026	568,335	389,026	568,335
Insurance receivables	9	168,924	106,753	168,924	106,753
Cash and bank balances		57,591	49,572	57,088	49,514
		2,974,796	2,909,073	2,974,436	2,908,783

* 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 2022					
LAR					
- Staff loans	-	398	-	17	415
- Fixed and call deposits	570,212	-	-	-	570,212
- Other receivables	-	44,548	-	-	44,548
AFS financial assets					
- Malaysian Government Securities	-	149,772	-	-	149,772
- Government Investment Issues	-	147,320	-	-	147,320
- Corporate debt securities	1,042,926	324,275	-	-	1,367,201
- Unit trust funds	-	79,804	-	-	79,804
Reinsurance assets-claim liabilities	-	389,026	-	3,702	392,728
Insurance receivables	-	140,158	28,766	2,389	171,313
Cash and bank balances	-	57,591	-	-	57,591
Allowance for impairment	-	-	-	(6,108)	(6,108)
	1,613,138	1,332,892	28,766	-	2,974,796
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

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)

	Neither past-due nor impaired				
Company	Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022					
LAR					
- Staff loans	-	398	-	17	415
- Fixed and call deposits	505,396	-	-	-	505,396
- Other receivables	-	44,548	-	-	44,548
AFS financial assets					
- Unit trust funds	1,042,926	766,130	-	-	1,809,056
Reinsurance assets-claim Liabilities	-	389,026	-	3,702	392,728
Insurance receivables	-	140,158	28,766	2,389	171,313
Cash and bank balances	-	57,088	-	-	57,088
Allowance for impairment	-	-	-	(6,108)	(6,108)
	1,548,322	1,397,348	28,766	-	2,974,436
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

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 2022						
LAR						
Staff loans	-	-	-	-	398	398
Fixed and call deposits	231,487	243,427	-	95,298	-	570,212
Other receivables	-	-	-	-	44,548	44,548
AFS financial assets						
Malaysian Government Securities	-	-	-	-	149,772	149,772
Government Investment Issues	-	-	-	-	147,320	147,320
Corporate debt securities	436,841	593,684	-	12,401	324,275	1,367,201
Unit trust funds	-	-	-	-	79,804	79,804
Reinsurance assets-claims liabilities	-	24,939	166,761	-	197,326	389,026
Insurance receivables	-	3,200	47,233	-	118,491	168,924
Cash and bank balances	20,980	35,364	718	-	529	57,591
	689,308	900,614	214,712	107,699	1,062,463	2,974,796

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	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	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)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2022						
LAR						
Staff loans	-	-	-	-	398	398
Fixed and call deposits	166,671	243,427	-	95,298	-	505,396
Other receivables	-	-	-	-	44,548	44,548
AFS financial assets						
Unit trust funds	-	-	-	-	1,809,056	1,809,056
Reinsurance assets-claims liabilities	-	24,939	166,761	-	197,326	389,026
Insurance receivables	-	3,200	47,233	-	118,491	168,924
Cash and bank balances	20,980	35,364	718	-	26	57,088
	187,651	306,930	214,712	95,298	2,169,845	2,974,436

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 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 2022						
Investment grade	668,328	837,111	-	107,699	-	1,613,138
Non-investment grade:						
Satisfactory	20,980	63,433	213,165	-	1,035,314	1,332,892
Past-due but not impaired	-	70	1,547	-	27,149	28,766
	689,308	900,614	214,712	107,699	1,062,463	2,974,796
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

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 2022						
Investment grade	166,671	243,427	-	95,298	1,042,926	1,548,322
Non-investment grade						
Satisfactory	20,980	63,433	213,165	-	1,099,770	1,397,348
Past-due but not impaired	-	70	1,547	-	27,149	28,766
	187,651	306,930	214,712	95,298	2,169,845	2,974,436
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

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 2022						
Insurance receivables (RM'000)	-	-	-	20,524	8,242	28,766
31 December 2021						
Insurance receivables (RM'000)	-	-	-	17,790	3,238	21,028

* 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 2022, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM2,389,000 (2021: RM2,990,000) and claim recoverable of RM3,702,000 (2021: RM5,065,000). 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	21,389	14,554	8,104	9,963
Charge for the financial year				
- Reinsurance assets	-	505	-	505
- Insurance receivables	657	577	657	577
- Investments	-	8,694	-	-
Recoveries				
- Reinsurance assets	(1,363)	-	(1,363)	-
- Loans and receivables	(32)	(18)	(32)	(18)
- Insurance receivables	(1,258)	(2,923)	(1,258)	(2,923)
At 31 December	19,393	21,389	6,108	8,104

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 2022							
Financial investments:							
AFS	1,744,097	79,804	15,313	563,977	710,562	768,355	2,138,011
Reinsurance assets – claims liabilities	389,026	-	282,654	87,688	16,546	2,138	389,026
Insurance receivables	168,924	-	168,924	-	-	-	168,924
LAR (excluding insurance receivables)	615,158	-	614,924	168	79	35	615,206
Cash and bank balances	57,591	57,591	-	-	-	-	57,591
Total financial assets	2,974,796	137,395	1,081,815	651,833	727,187	770,528	3,368,758
General insurance claims Liabilities	1,192,878	-	784,272	336,654	63,231	8,721	1,192,878
Other financial liabilities	41,403	-	41,403	-	-	-	41,403
Insurance payables	83,970	-	83,970	-	-	-	83,970
Other payables	89,358	14,712	74,646	-	-	-	89,358
Lease liabilities and asset restoration	23,447	-	6,446	14,083	4,653	-	25,182
Total financial liabilities	1,431,056	14,712	990,737	350,737	67,884	8,721	1,432,791

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 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	79,180	14,728	64,451	-	-	-	79,179
Lease liabilities and asset restoration	27,369	-	6,695	12,883	10,421	-	29,999
Total financial liabilities	1,498,733	14,728	1,047,442	360,369	71,190	7,633	1,501,362

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 2022							
Financial investments:							
AFS	1,809,056	1,809,056	-	-	-	-	1,809,056
Reinsurance assets – claims liabilities	389,026	-	282,654	87,688	16,546	2,138	389,026
Insurance receivables	168,924	-	168,924	-	-	-	168,924
LAR (excluding insurance receivables)	550,342	-	550,108	168	79	35	550,390
Cash and bank balances	57,088	57,088	-	-	-	-	57,088
Total financial assets	2,974,436	1,866,144	1,001,686	87,856	16,625	2,173	2,974,484
General insurance claims liabilities	1,192,878	-	784,272	336,654	63,231	8,721	1,192,878
Other financial liabilities	41,403	-	41,403	-	-	-	41,403
Insurance payables	83,970	-	83,970	-	-	-	83,970
Other payables	88,998	14,712	74,286	-	-	-	88,998
Lease liabilities and asset restoration	23,447	-	6,446	14,083	4,653	-	25,182
Total financial liabilities	1,430,696	14,712	990,377	350,737	67,884	8,721	1,432,431

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 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	78,890	14,728	64,161	-	-	-	78,889
Lease liabilities and asset restoration	27,369	-	6,695	12,883	10,421	-	29,999
Total financial liabilities	1,498,443	14,728	1,047,152	360,369	71,190	7,633	1,501,072

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 2022			
Property, plant and equipment	-	47,061	47,061
Intangible assets	-	179,943	179,943
Investments:			
- AFS	17,806	1,726,291	1,744,097
Reinsurance assets	330,450	106,372	436,822
Insurance receivables	168,924	-	168,924
Loans and receivables (excluding insurance receivables)	618,033	3,413	621,446
Deferred tax asset	11,527	-	11,527
Income tax recoverable	2,833	-	2,833
Cash and bank balances	57,591	-	57,591
Total assets	1,207,164	2,063,080	3,270,244
Insurance contract liabilities	1,344,200	408,606	1,752,806
Other financial liabilities	41,403	-	41,403
Insurance payables	83,970	-	83,970
Other payables	94,992	17,813	112,805
Total liabilities	1,564,565	426,419	1,990,984

* 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*	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	121,390	1,204,476	1,325,866
Reinsurance assets	466,928	146,233	613,161
Insurance receivables	106,753	-	106,753
Loans and receivables (excluding insurance receivables)	859,669	3,812	863,481
Deferred tax asset	2,327	-	2,327
Cash and bank balances	49,572	-	49,572
Total assets	1,606,639	1,586,565	3,193,204
Insurance contract liabilities	1,322,514	415,888	1,738,402
Tax payable	155	-	155
Other financial liabilities	28,228	-	28,228
Insurance payables	79,510	-	79,510
Other payables	84,905	21,644	106,549
Total liabilities	1,515,312	437,532	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)

Company	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2022			
Property, plant and equipment	-	47,061	47,061
Intangible assets	-	179,943	179,943
Investments:			
- AFS	-	1,809,056	1,809,056
Reinsurance assets	330,450	106,372	436,822
Insurance receivables	168,924	-	168,924
Loans and receivables (excluding insurance receivables)	553,217	3,413	556,630
Deferred tax asset	11,527	-	11,527
Income tax recoverable	2,833	-	2,833
Cash and bank balances	57,088	-	57,088
Total assets	1,124,039	2,145,845	3,269,884
Insurance contract liabilities	1,344,200	408,606	1,752,806
Other financial liabilities	41,403	-	41,403
Insurance payables	83,970	-	83,970
Other payables	94,632	17,813	112,445
Total liabilities	1,564,205	426,419	1,990,624

* 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 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	466,928	146,233	613,161
Insurance receivables	106,753	-	106,753
Loans and receivables (excluding insurance receivables)	688,435	3,812	692,247
Deferred tax asset	2,327	-	2,327
Cash and bank balances	49,514	-	49,514
Total assets	1,313,957	1,878,957	3,192,914
Insurance contract liabilities	1,322,514	415,888	1,738,402
Tax payable	155	-	155
Other financial liabilities	28,228	-	28,228
Insurance payables	79,510	-	79,510
Other payables	84,615	21,644	106,259
Total liabilities	1,515,022	437,532	1,952,554

* 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 2022		
Change in interest rates		
+ 50 basis points	10,823	8,225
- 50 basis points	(10,823)	(8,225)
31 December 2021		
Change in interest rates		
+ 50 basis points	9,810	7,455
- 50 basis points	(9,810)	(7,455)

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 2022		
Change in interest rates		
+ 50 basis points	2,840	2,158
- 50 basis points	(2,840)	(2,158)
31 December 2021		
Change in interest rates		
+ 50 basis points	2,666	2,026
- 50 basis points	(2,666)	(2,026)

* 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	
	2022	2021
	RM'000	RM'000
Gross amounts of recognised		
- insurance receivables	178,841	107,372
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(9,917)	(619)
Net amounts of insurance receivables presented in the statements of financial position	168,924	106,753

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2022	2021
	RM'000	RM'000
Gross amounts of recognised		
- insurance payables	93,887	80,129
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(9,917)	(619)
Net amounts of insurance payables presented in the statements of financial position	83,970	79,510

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 2022, as prescribed under the Framework, is provided below:

		Company	
	Note	2022	2021
		RM'000	RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		878,805	812,982
		1,282,276	1,216,453
Tier 2 Capital			
Available-for-sale reserve	13	(10,212)	16,711
Revaluation reserve	13	7,196	7,196
		(3,016)	23,907
Amounts deducted from Capital		(179,943)	(179,943)
Total Capital Available		1,099,317	1,060,417

The Company has met the minimum capital requirements specified in the Framework for the financial years ended 2022 and 2021.

35 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 2023 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.

35 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 31.12.2022	Fair value as at 31.12.2021	Changes in fair value 2022	Changes in fair value 2021	Cash flows characteristic
Group		RM’000	RM’000	RM’000	RM’000	
Financial assets						
Malaysian Government Securities	6(c)	149,772	159,999	(1,365)	(6,942)	SPPI
Government Investment Issues	6(c)	147,320	120,178	(2,793)	(4,133)	SPPI
Corporate debt securities	6(c)	1,367,201	949,915	(21,694)	(59,948)	SPPI
Equity securities	6(c)	-	15,567	-	(604)	Non SPPI
Unit trusts	6(c)	79,804	80,207	(425)	(1,010)	Non SPPI
		1,744,097	1,325,866	(26,277)	(72,637)	
Loans and receivables*		615,158	858,547	-	-	SPPI
Cash and bank balances		57,591	49,572	-	-	SPPI
		2,416,846	2,233,985	(26,277)	(72,637)	
Company						
Financial assets						
Unit trusts		79,804	80,207	(424)	(1,010)	Non SPPI
Controlled structured entities		1,729,252	1,416,661	(35,001)	(74,808)	Non SPPI
	6(c)	1,809,056	1,496,868	(35,425)	(75,818)	
Loans and receivables*		550,342	687,313	-	-	SPPI
Cash and bank balances		57,088	49,514	-	-	SPPI
		2,416,486	2,233,695	(35,425)	(75,818)	

* Loans and receivables excluded prepayment of RM6,287,653 (2021: RM4,933,767).

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”.

35 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.

31.12.2022	AAA	AA	A	BBB	Not rated	Total
Financial assets with SPPI cash flows	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Gross carrying amounts under MFRS						
Group						
Malaysian Government Securities	-	-	-	-	149,772	149,772
Government Investment Issues	-	-	-	-	147,320	147,320
Corporate debt securities	436,841	593,684	-	12,401	324,275	1,367,201
Unit trusts	-	-	-	-	79,804	79,804
Loans and receivables						
Staff loans	-	-	-	-	398	398
Fixed and call deposits	231,487	243,427	-	95,298	-	570,212
Other receivables*	-	-	-	-	44,548	44,548
Cash and bank balances	20,980	35,364	718	-	529	57,591
Total	689,308	872,475	718	107,699	746,646	2,416,846
Company						
Loans and receivables						
Staff loans	-	-	-	-	398	398
Fixed and call deposits	166,671	243,427	-	95,298	-	505,396
Other receivables*	-	-	-	-	44,548	44,548
Cash and bank balances	20,980	35,364	718	-	26	57,088
Total	187,651	278,791	718	95,298	44,972	607,430

* Loans and receivables excluded prepayment of RM6,287,653

Financial assets with SPPI cash flows
All financial assets with SPPI cash flows of the Group and the Company as at 31 December 2022 have low credit risk.

35 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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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.