

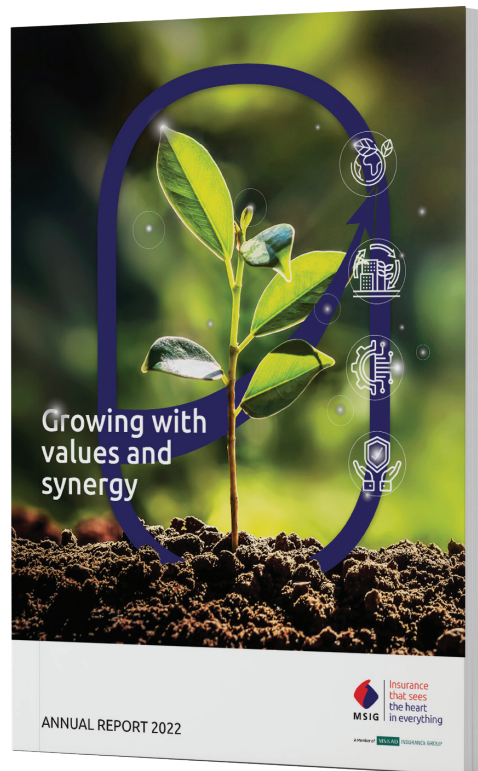


Growing with values and synergy

ANNUAL REPORT 2022

 Insurance
that sees
the heart
in everything

A Member of **MS&AD** INSURANCE GROUP



Growing with values and synergy

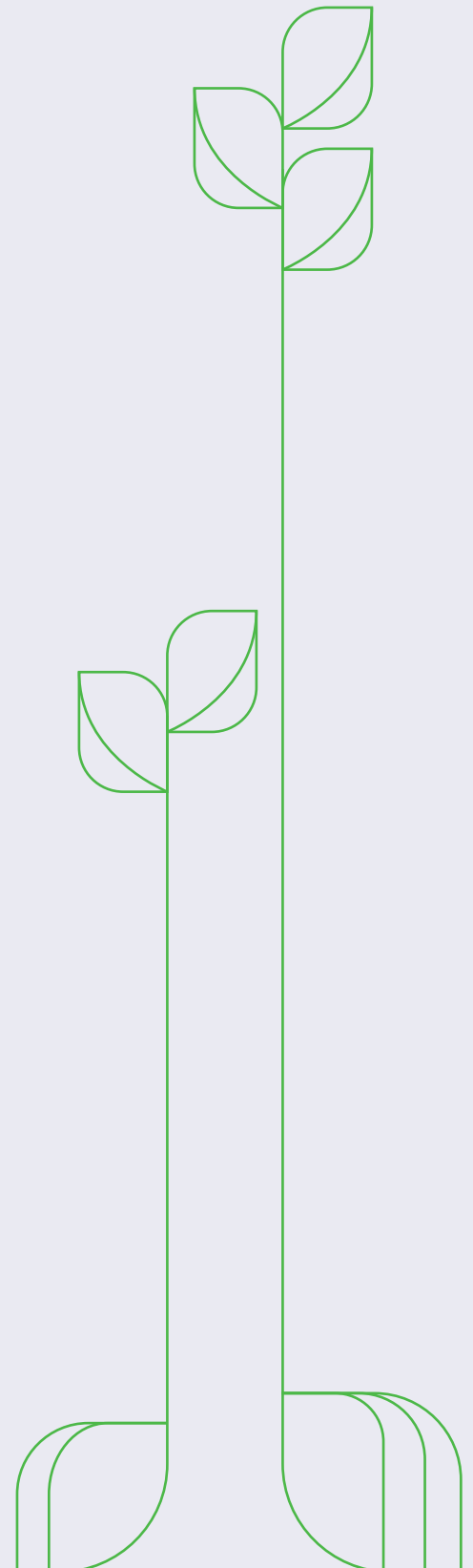
In our pursuit of continuous innovation and the digitalisation of MSIG Malaysia's products and business operations, we remain mindful of the need for preservation of biodiversity around us.

We strongly believe that synergising business goals and sustainability efforts creates a competitive edge for our organisation and substantial value for our stakeholders, accelerating the Company's growth.

MSIG Malaysia will continue to stay committed and take proactive steps to adapt to the evolving digital landscape and sustainability agendas to expand our market presence and offerings, ensuring our position as a leader in the general insurance industry.

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BOARD OF DIRECTORS



(Seated from left to right)

Pearl Chan Siew Cheng

Non-Independent Non-Executive Director

Dato' Muthanna bin Abdullah

Chairman/Independent Non-Executive Director

Gan Bee Lan

Independent Non-Executive Director

(Standing from left to right)

Loh Guat Lan

Non-Independent Non-Executive Director

Lim Tiang Siew

Independent Non-Executive Director

Kenichi Shoji

Independent Non-Executive Director

Alan John Wilson

Executive Director

DIRECTORS' PROFILE



Dato' Muthanna bin Abdullah

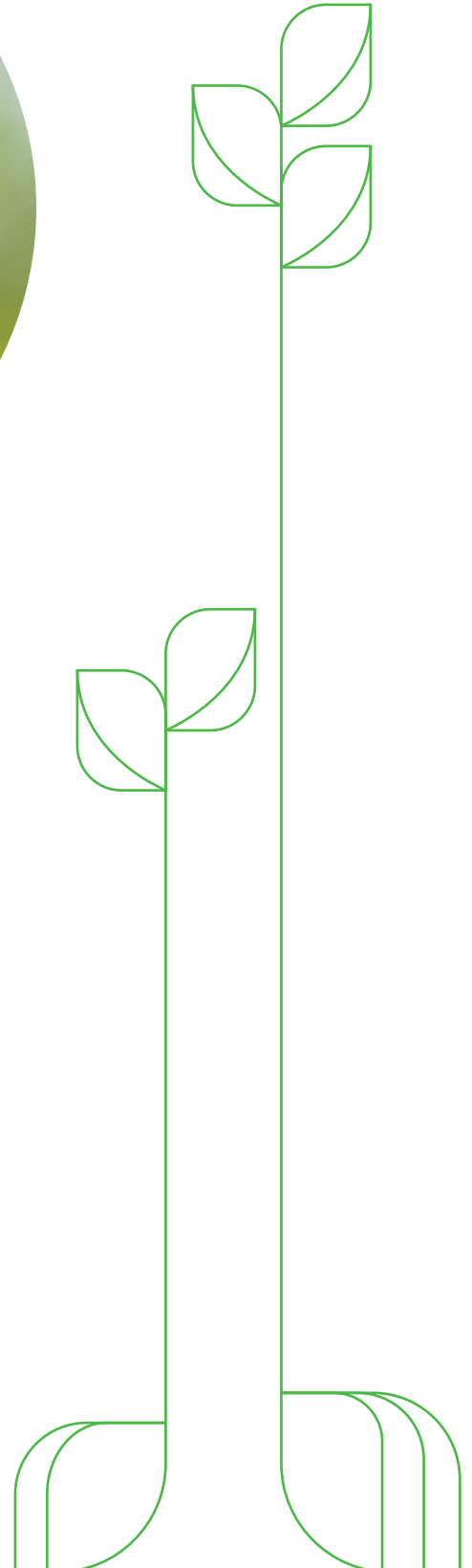
Chairman/Independent Non-Executive Director

Dato' Muthanna bin Abdullah joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 12 March 2018. He is a Barrister of Middle Temple and an Advocate and Solicitor of the High Court of Malaya. He read law at the University of Buckingham, England and was called to the Bar of England and Wales in 1982 and to the Malaysian Bar in 1983. He is a Consultant of Abdullah Chan & Co.

Currently, Dato' Muthanna is the Honorary Consul to Kuala Lumpur of the Republic of San Marino.

He is also a Director of MSM Malaysia Holdings Berhad, IHH Healthcare Berhad, Malaysian Life Reinsurance Group Berhad and a Trustee of Yayasan Siti Sapura and the Habitat Foundation.

Presently, Dato' Muthanna serves as Chairman of the Board of Directors and is a member of the Board Audit, Nominations, Remuneration and Investment Committees of the Company.





Lim Tiang Siew

Independent Non-Executive Director

Mr. Lim Tiang Siew joined MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 15 December 2018. He retired as the Group Chief Internal Auditor of CIMB Group in March 2018, after serving 27 years at CIMB. Mr. Lim's experience and expertise of over 40 years covered internal and external auditing, accounting, corporate finance and advisory, corporate governance, and compliance. For more than half of his tenure at CIMB, Mr. Lim was a member of CIMB's top most management team, and a member of all its major risk committees.

Mr. Lim has been a member of the Malaysian Institute of Certified Public Accountants since January 1981 and is a Chartered Accountant of the Malaysian Institute of Accountants since November 1987. He was an examiner for the Malaysian Institute of Certified Public Accountants professional examinations in respect of a particular subject for some 15 years before being appointed as a reviewer for the same subject, a position which he still holds.

He joined Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank) in January 1991 as an assistant manager in the Corporate Finance Department and eventually became the Head for a number of years. After over 15 years as a Corporate Finance specialist and following the acquisition of Bumiputra-Commerce Bank by CIMB and the subsequent merger of Bumiputra-Commerce Bank with Southern Bank, Mr. Lim was appointed the Group Chief Financial Officer, a position he held for over two years before being appointed the Group Chief Internal Auditor.

Presently, Mr. Lim serves as Chairman of the Board Audit Committee and is a member of the Board Compliance & Risk Management Committee of the Company.

He is currently the Senior Independent Non-Executive Director of Sapura Energy Berhad, Chairman of its Board Audit Committee and a member of its Board Risk Committee.

He is also an Independent Non-Executive Director of HSBC Amanah Malaysia Berhad.



Gan Bee Lan

Independent Non-Executive Director

Ms. Gan Bee Lan joined the Board of MSIG Insurance (Malaysia) Bhd on 15 August 2020 as an Independent Non-Executive Director.

Ms. Gan holds a Bachelor in Accountancy from the University of Singapore. Overall, Ms. Gan has 40 years of working experience in diverse disciplines spanning IT/Systems Management, Project Management (IT and non-IT), HR & Admin Management, Process & Workflow Streamlining as well as Legal and Operational Integration arising from various Mergers & Acquisitions (M&A).

Prior to her retirement from MSIG Insurance (Malaysia) Bhd in December 2009, Ms. Gan was a member of the Senior Management Team (SMT) overseeing - at various periods - Information Technology (IT), Information Security, HR & Admin, Service Quality as well as centralised policy administration. During her service with the company, Ms. Gan was also the Integration Manager managing the operational integration during the MSI-Aviva (MSIG) merger as well as the CU-GA (Aviva) merger.

Immediately after retirement, Ms. Gan returned to MSIG Insurance (Malaysia) Bhd in February 2010 as Special Project Manager to support the legal, business transfer and operational integration of Hong Leong general business into MSIG Insurance (Malaysia) Bhd operations. Following that, in January 2012, Ms. Gan joined MSIG Insurance (Singapore) Pte. Ltd. for a year to initiate the system migration to the new regional IT system for the Singapore insurance operations.

From January 2016 until July 2018, Ms. Gan joined the Regional Holding Company (RHC) in Singapore as Head of ICT/Consulting Advisor to the Regional CEO to manage the regional centralised IT services, system development and infrastructural services/support to country IT in Singapore, Malaysia, Indonesia, Vietnam, Hong Kong, Thailand, Philippines and Australia. During her stint with RHC, Ms. Gan spearheaded the regional cybersecurity initiative as well as the updated regional IT Strategy focusing on new technologies in the digital arena.

Presently, Ms. Gan serves as Chairman of the Board Nominations and Compliance & Risk Management Committees. She is also a member of the Board Audit and Remuneration Committees of the Company.



Kenichi Shoji

Independent Non-Executive Director

Mr. Kenichi Shoji joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 21 October 2022 and is currently the Managing Director of Toyota Tsusho (Malaysia) Sdn Bhd. Prior to this, he was the General Manager at the Global Parts Department of Toyota Tsusho Corporation since 2018.

A graduate of Law from Kwansei Gakuin University Japan, Mr. Shoji has more than 28 years of working experience in the automotive parts during his tenure with Toyota Tsusho Corporation. He also has experience in overseas posting where he worked at Toyota Tsusho America Inc. from 2001 to 2007, Toyota Tsusho Corporation from 2007 to 2013 as Group Leader, Asia Oceania Group, Global Parts Department and as Marketing Director, Global Parts & Logistic Division in PT Toyota Tsusho Indonesia from 2013 to 2018.

Presently, Mr. Shoji serves as Chairman of the Board Remuneration Committee and is a member of the Audit and Compliance & Risk Management Committees of the Company.



Pearl Chan Siew Cheng

Non-Independent Non-Executive Director

Ms. Pearl Chan Siew Cheng joined the Board of MSIG Insurance (Malaysia) Bhd on 18 March 2014 as an Independent Non-Executive Director. She has 31 years of experience in the Malaysian fund management industry, having managed institutional money such as government funds, insurance funds, pension funds, charitable foundations and unit trust funds throughout her career.

Prior to her retirement in January 2008, she was the Deputy Chief Executive Officer of CIMB Principal Asset Management for one year, after a merger between CIMB and the Southern Bank Group. Before that, she pioneered SBB Asset Management, a wholly-owned subsidiary of the Southern Bank Group, which became the first commercial bank in Malaysia to have an asset management arm. She held the position of CEO for 17 years, and CEO/Chief Investment Officer for the first 14 years, leading a team of equity and fixed-income fund managers. Before setting up SBB Asset Management, she was General Manager of Rashid Hussain Asset Management and fund manager with Bumiputra Merchant Bankers Berhad for a total of 13 years.

During her career, she also spearheaded two major corporate integration exercises in 2003 and 2007, where she successfully completed the entire integration process, involving organisation and governance structures, human resources, administrative, and technical systems. She is a graduate of Economics from the University of Nottingham, England.

Presently, Ms. Chan serves as Chairman of the Board Investment Committee and is a member of the Remuneration and Compliance & Risk Management Committees of the Company.



Loh Guat Lan

Non-Independent Non-Executive Director

Ms. Loh Guat Lan joined the Board of MSIG Insurance (Malaysia) Bhd ("MSIG") as a Non-Independent Non-Executive Director on 1 October 2010 and is a member of the Board Investment Committee of MSIG. She is currently the Group Managing Director/Chief Executive Officer ("GMD/CEO") of Hong Leong Assurance ("HLA"), a subsidiary of HLA Holdings Sdn Bhd ("HLAH"), wholly-owned by Hong Leong Financial Group Berhad (HLFG), the financial services arm of Hong Leong Group Malaysia. She was appointed to this position on 1 September 2009.

Ms. Loh holds a Bachelor of Science in Human Development and is a Fellow Member of Life Management Institute (FLMI) and Life Office Management Association (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms. Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of HLA and prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms. Loh is the Chairman of HL Assurance Pte Ltd, Singapore, and a Director of HLAH; Hong Leong MSIG Takaful Berhad; Hong Leong Insurance (Asia) Limited, Hong Kong; L.I.A.M. Holding Sdn Bhd and L.I.A.M. Property Sdn Bhd. She is also a Director of The Malaysian Insurance Institute (MII) and a Board Member of the Financial Industry Collective Outreach (FINCO).

Presently, she is a member of the Board Investment Committee of the Company.



Alan John Wilson

Executive Director

Mr. Alan Wilson is currently a Director of Singapore-based MSIG Asia Pte. Ltd. as well as being a Director of several other related entities across Asia, including Chairman of MSIG Berhad.

He was the Chief Executive Officer of Singapore-based MSIG Asia Pte. Ltd. (formerly known as MSIG Holdings (Asia) Pte. Ltd.) for 14 years up until 2022. During this time, he also served as the Chairman or Director on the boards (or equivalent) of 19 MSIG-related entities around the region. Under Mr. Wilson's leadership, MSIG expanded its network to 14 Asian markets.

He was honoured to be appointed as the first foreign Executive Officer of Mitsui Sumitomo Insurance Co Ltd (Japan) in April 2015 and became Deputy Head of its International Business Department in January 2020. Mr. Wilson has a sound executive management track record with over 40 years of experience in the insurance industry.

Prior to joining MSIG Asia, Mr. Wilson was the Asia CEO at Allianz from 1999, where he assumed overall responsibility for managing over 20 general, life and health insurance operations across 14 countries, and later served on several boards for Allianz and for other groups such as Parkway in Asia. Mr. Wilson joined Allianz from Guardian Royal Exchange Assurance Group, where he was Asia Managing Director. Over the course of his 21 years there, he held various senior positions with progressive responsibilities, where he managed general and life insurance businesses in 11 countries.

A British national and a Singaporean Permanent Resident, Mr. Wilson has lived and worked in Asia since 1982 in various places, including Hong Kong, Indonesia, Pakistan and Singapore.

Mr. Wilson is a Fellow of the Chartered Insurance Institute (UK) and has a BA (Hons) in Economics and Economic History from the University of Liverpool, England.

Presently, Mr. Wilson serves as a member of the Board Nominations Committee.

CORPORATE INFORMATION

BOARD NOMINATIONS COMMITTEE

Chairman: Gan Bee Lan
Members: Dato' Muthanna Abdullah
 Alan John Wilson

BOARD REMUNERATION COMMITTEE

Chairman: Kenichi Shoji
Members: Pearl Chan Siew Cheng
 Dato' Muthanna Abdullah
 Gan Bee Lan

BOARD COMPLIANCE & RISK MANAGEMENT COMMITTEE

Chairman: Gan Bee Lan
Members: Pearl Chan Siew Cheng
 Lim Tiang Siew
 Kenichi Shoji

BOARD AUDIT COMMITTEE

Chairman: Lim Tiang Siew
Members: Dato' Muthanna Abdullah
 Gan Bee Lan
 Kenichi Shoji

BOARD INVESTMENT COMMITTEE

Chairman: Pearl Chan Siew Cheng
Members: Dato' Muthanna Abdullah
 Loh Guat Lan
 Chua Seck Guan
 Takero Sawamura

EXTERNAL AUDITOR

KPMG PLT

REGISTERED OFFICE

Level 12, Menara Hap Seng 2,
 Plaza Hap Seng,
 No.1, Jalan P. Ramlee,
 50250 Kuala Lumpur.

TECHNICAL ADVISORS

Yoshihiro Shibuya

Bachelor of Laws

Toshihiro Kuroi

Master of Economics

Hideo Muroi

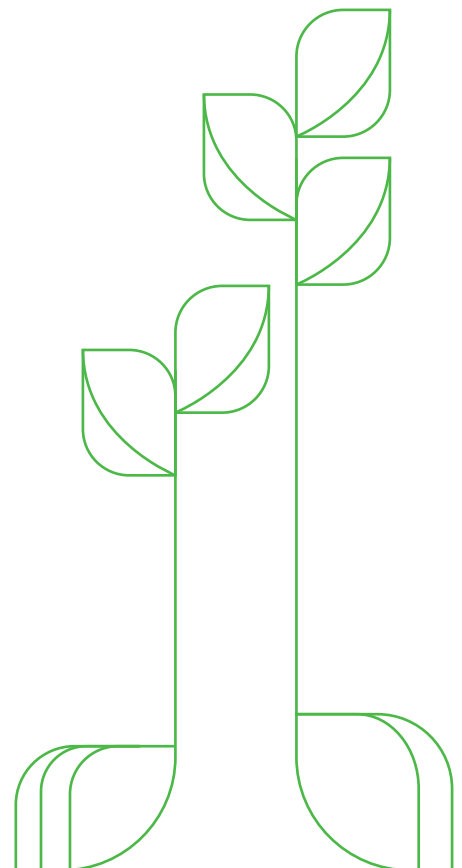
Bachelor of Arts

Kota Fujioka

Bachelor of Economics

Ryo Kato

Bachelor of Arts



SENIOR MANAGEMENT



CHIEF EXECUTIVE OFFICER

Chua Seck Guan
ANZIIF (Snr Assoc)



**DEPUTY CHIEF
EXECUTIVE OFFICER**

Takero Sawamura
Bachelor of Laws



CHIEF OPERATING OFFICER

Soh Lai Sim
CA (M), CPA, FCTIM



TECHNICAL ADVISOR

Yoshihiro Shibuya
Bachelor of Laws

**SENIOR VICE PRESIDENT**

Broking, Bancassurance,
Affinity & Online

Ang Yien Chia

B.Sc (BA), DMII

**SENIOR VICE PRESIDENT**

Franchise & Direct Corporate

Victor Chen Fan Loan

ANZIIF (Assoc) CIP, DMII

**SENIOR VICE PRESIDENT**

IT, Digital & E-Commerce

Chin Jee Gwan

BSc (Hons), MSc

**SENIOR VICE PRESIDENT**

Enterprise Risk Management

Kelvin Hii Chee Yun

FIAA, BCom (Hons)

**SENIOR VICE PRESIDENT**

Claims & Reinsurance

Marianne Sow Mei Eng

FCII, FMII, Chartered Insurer

**SENIOR VICE PRESIDENT**

Underwriting

Amy Tan Gow Hou

*B.Econ (Hons), FCII, FMII,
Chartered Insurer*

**SENIOR VICE PRESIDENT**

Branch Operations Support,
PSD & Administration

Jessica Teh Siew Kheng

**SENIOR VICE PRESIDENT**

Customer Experience,
Business Excellence & Marketing

Jean Wong Siew Hong

Bachelor of Business

**VICE PRESIDENT**

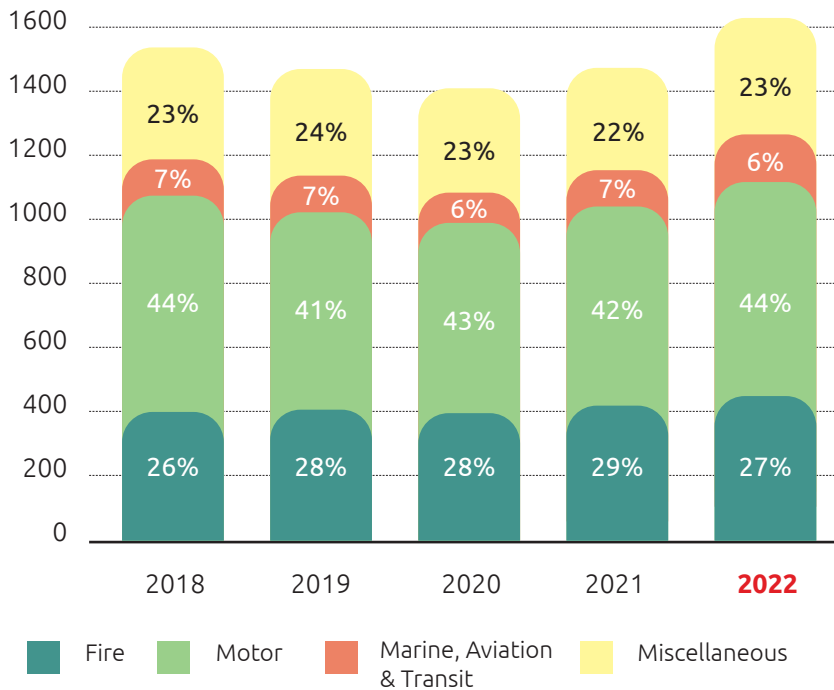
Agency

Gary Lim Lean Leong

AMII, ACII, ANZIIF (Snr Assoc), CIP

FINANCIAL HIGHLIGHTS

RM (million)



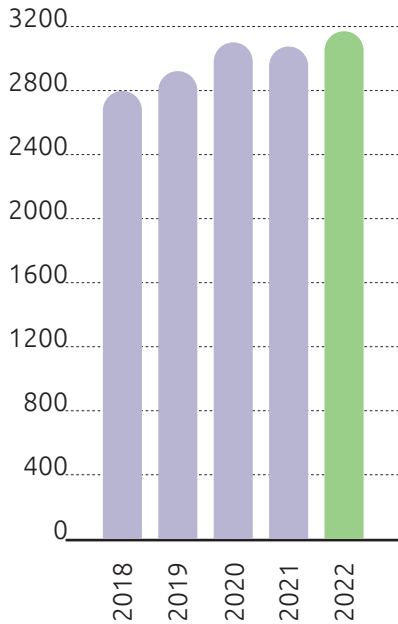
COMPOSITION OF 2022
GROSS WRITTEN PREMIUM
TOTAL

RM1.6 billion

YEAR ENDED 31 DECEMBER	RM'000				
	2018	2019	2020	2021	2022
Paid-up Share Capital	1,511,546	1,511,546	1,511,546	1,511,546	1,511,546
Total Equity	2,805,726	2,943,664	3,117,850	3,091,114	3,161,905
Total Assets	4,946,486	5,018,277	5,292,289	6,165,155	6,081,171
Gross Written Premium	1,536,931	1,470,388	1,403,123	1,477,731	1,633,043
Net Premium	1,257,240	1,193,634	1,130,377	1,133,766	1,316,474
Underwriting Results	104,010	173,039	254,165	246,065	218,677
Investment & Other Income	108,321	118,890	117,594	97,597	84,697
Profit Before Taxation	212,331	291,929	371,759	343,662	303,374
Profit After Taxation	177,766	235,616	290,589	280,047	230,185
Earning Per Share (RM)	0.53	0.71	0.87	0.84	0.69
NTA Per Share (RM)	4.97	5.39	5.92	5.84	6.05
Total Workforce	1,118	1,101	1,088	1,043	986

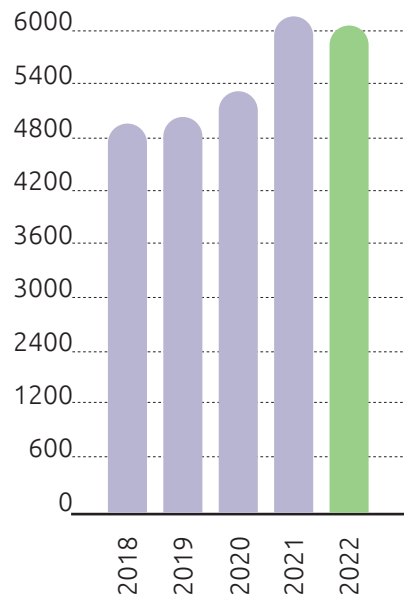
TOTAL EQUITY

RM (million)



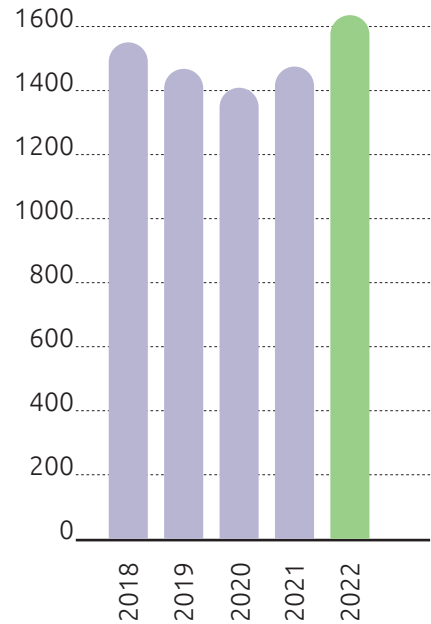
TOTAL ASSETS

RM (million)



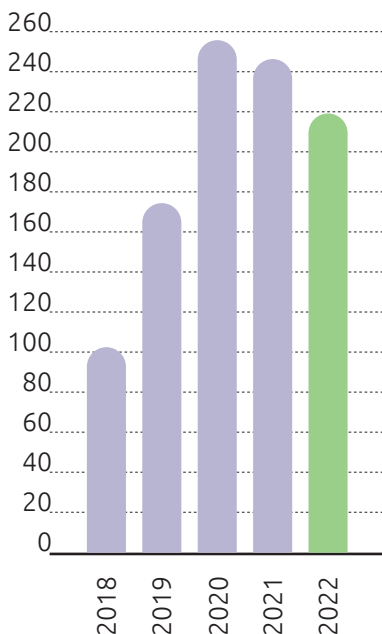
GROSS WRITTEN PREMIUM

RM (million)



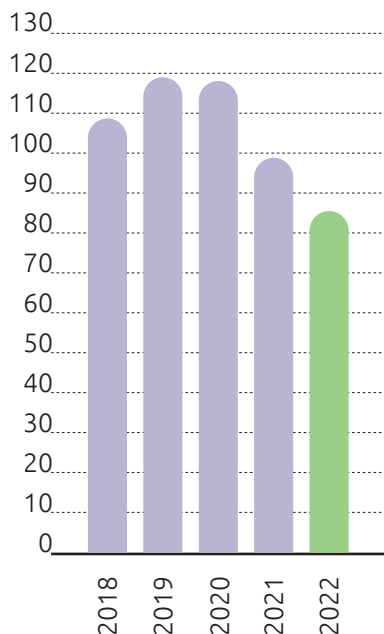
UNDERWRITING RESULTS

RM (million)



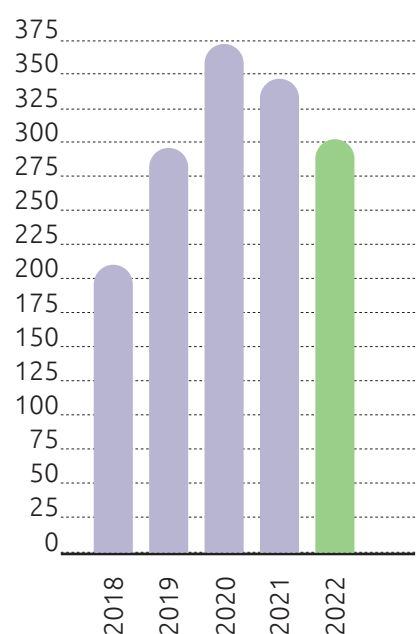
INVESTMENT & OTHER INCOME

RM (million)



PROFIT BEFORE TAXATION

RM (million)



CHAIRMAN'S STATEMENT



ON BEHALF OF THE BOARD OF DIRECTORS, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2022.

Dato' Muthanna bin Abdullah
Chairman

FINANCIAL REVIEW

The Company recorded a Profit After Tax in 2022 of RM230.2 million, compared to the preceding year of RM280.0 million. Earnings per share is reported at 69.1 sen versus the preceding year at 84.1 sen.

Gross Written Premium (GWP) recorded a strong, double-digit growth of 10.5% or RM155.3 million, to end the year at RM1.6 billion. Growth was recorded from Personal Motor (RM66.9 million), Personal Other (RM29.6 million) and Commercial Motor (RM23.5 million) followed by Commercial Other (RM14.1 million) classes of business. This is a result of the resumption of business activities and the reopening of borders, together with the Company's commitment and strategy to focus on specific classes of business and products. The continued investment in digitalisation further increased the business generated from the online and alternative distribution channels.

In the General Insurance Industry, MSIG Insurance (Malaysia) Bhd has climbed the ranking to the No. 2 market position (based on gross direct premium), solidifying our position as one of the leading general insurers in Malaysia.





The Company's Underwriting Profit of RM218.7 million was lower by RM27.4 million (11.1%) against 2021. The Company's Combined Operating Ratio was at 81.1% in 2022 compared to 77.0% in 2021.

MARKET POSITION

No. 2

PROFIT AFTER TAX

RM230.2 million

EARNINGS PER SHARE

69.1 sen

GROSS WRITTEN PREMIUM

RM1.6 billion

Claims were higher due to rising activity from economic resumption, especially for Personal Motor, Healthcare and Personal Other classes of business. The increase in claims was partially offset by lower claims from Property and Marine classes of business (compared to much higher claims recorded for the catastrophic flood event at the end of last year).

Expenses were higher as well due to increased activities and are consistent with higher business and GWP growth.

The Company's total investments continued to grow in size to RM3.5 billion; an increase of RM122.9 million. Investment income decreased by RM3.5 million, resulting from the overall low interest rate environment. The Company registered a realised investment profit of RM13.4 million but suffered an investment impairment of RM15.8 million on its Equity portfolio. The Company's total investment and other income amounted to RM84.7 million.

This year's performance has enabled the Company to achieve a Profit Before Tax of RM303.4 million and a Profit After Tax of RM230.2 million, reflecting a net earnings per share of 69.1 sen. The Company has shown its strong growth and commitment in reporting good profits along with the improved economic growth.

Total Assets, including Goodwill, stood at RM6.1 billion as at financial year ended 2022, a decrease of RM84.0 million from RM6.2 billion, against a dampened investment and market performance at the close of year 2022.

TOTAL ASSETS

RM6.1 billion

TOTAL INVESTMENTS

RM3.5 billion

TOTAL INVESTMENT & OTHER INCOME

RM84.7 million

OPERATIONAL REVIEW

Products and Services Enhancement

As part of the Company's attention to sustainability, new products introduced last year focused on Climate Change initiatives and microinsurance.

Solar PV All Risks

Solar photovoltaic (PV) panels are increasingly affordable and efficient, leading to higher adoption rates and a need for businesses to protect their clean energy investments. MSIG Solar PV All Risk insures these panels against loss or damage due to fire, theft and accidental damage, and provides compensation for income or savings affected by downtime, depending on whether the system is under the Feed-in-Tariff (FiT) or Net Energy Metering (NEM) program.

Covers loss or damage due to fire, theft and accidental damage



Built Back Better Green Clause



Regular fire insurance helps businesses with the costs of rebuilding the assets that keep their operations running. The Company introduced the Built Back Better Green Clause – an additional clause to fire insurance that covers the additional cost of replacing damaged materials with sustainable alternatives.

Covers the additional cost of replacing damaged materials with sustainable alternatives



Tenang Hospital Income

As part of the Perlindungan Tenang Initiative by Bank Negara Malaysia (BNM), this product was developed for the B40 income group to provide hospital income coverage.



Weekly Indemnity

Made for freelancers and gig-economy workers, this product provides up to 12 weeks of income when the policyholder is unable to work due to injuries sustained in an accident.

Provides up to 12 weeks of income when the policyholder is unable to work



Additionally, the Company has launched various new products designed to provide protection for policyholders' assets, health and lifestyle.

EZ Home Essentials

A simple online-only insurance plan, EZ Home Essentials provides an entry-level home contents insurance, especially for those who are renting their homes or those who need a more budget-friendly option for their first home.



Travel Insurance

To address the rebound of the travel industry, the Company added a new Annual Plan that provides increased coverage for policyholders, as well as the Alternative Transport Top-Up Add-On for flexibility against unexpected changes to their travel plans.

Provides increased coverage and optional add-on for flexibility against unexpected changes to travel plans



PA Add-On

Traditional and Complementary Medicine continues to be a sought-after alternative treatment for various ailments and injury. The Company now offers Personal Accident policyholders the freedom to explore with the Traditional Chinese Medicine (TCM) Add-On, which provides an annual reimbursement limit for TCM expenses.

Provides an annual reimbursement limit for Traditional Chinese Medicine expenses



Fire Add-On

The Company introduced a new Fire Add-On, Landslip or Landslide insurance as heavy rainfall that causes landslip and landslide became a growing concern among homeowners. This add-on allows a more flexible excess to meet the needs of the policyholders. This Excess refers to the amount of loss that the insured must bear before the insurance company pays for the balance of the insured's damage claim.

Flexible excess to meet the needs of the policyholders



Affinity Partnerships

To build on the success of previous digital partnerships, the Company continued to pursue strategic relationships with digital platforms that would increase awareness of the MSIG brand and introduce relevant insurance products at a greater rate through new customer touch points.

IT & Digitalisation

The Company continued to explore various technological advancements to enhance the overall customer experience. This includes improving the current MY MSIG app and a new intermediary portal.

Additionally, the use of Robotic Progress Automation (RPA) has been expanded to include new processes. RPA is a key business transformation initiative to streamline and automate processes with the goal of processing key functional tasks in a shorter turnaround time while maintaining and exceeding the current output.

RPA streamlines and automates processes with the goal of processing key functional tasks in a shorter turnaround time while maintaining and exceeding the current output

Data & Analytics

Building on the Actuarial Monitoring System and the Data Management Framework from the previous year, the Company embarked on more analytics initiatives to develop greater data insights into the profiles of policyholders and customer behaviour. This is done to support GWP growth, increase profitability and drive greater operational efficiency.

People

Enhanced Work Productivity Tools

To take greater advantage of the tools that have inspired collaboration at a greater level within the organisation, the Company has organised trainings to acquaint employees with Office 365 and pioneered the Champions For Change programme to further increase productivity.



Review of Employee Benefits and Compensation

The Company has aligned the benchmark for compensation and benefits to ensure the Company provides comparative and competitive benefits against the market across key positions to further solidify employee retention.

The Work From Home guidelines have also been implemented for employees to exercise hybrid working arrangements.



Improving Skills Training for Employees and Intermediaries

Employees were given more opportunities to grow their capabilities through data literacy and IT upskilling. Periodic job rotations also allowed staff to develop new skills and expand their job scope to better understand the different facets of the Company and the General Insurance business.

Additionally, intermediaries were introduced to new technical knowledge as well as product training. Digital marketing modules were introduced to prepare them to market effectively in digital spaces.



Phased Liberalisation 2.0 for Fire & Motor



BNM had announced the Phased Liberalisation 2.0, with wider pricing flexibility under the Financial Sector Blueprint 2022-2026 for Motor and Fire Insurance. Insurers are required to advance reforms in the Motor classes and improve the end-to-end digital claims ecosystem to deliver a seamless customer experience following an accident.

Governance & Enterprise Risk Management

Strengthen Procedures for Corporate Liability

To strengthen the Company's foundations as a responsible corporate entity, the security taskforce completed validation of procurement procedures in the supply chain to solidify itself against Section 17A of the MACC Act 2009, governing the offence of corruption committed by a commercial organisation.

Additional measures have also been taken with regard to Dishonest and Unlawful Acts as part of the Company's zero tolerance policy. All staff and business partners must maintain the highest ethical and professional standards at all times.



New Accounting Standards

Malaysian Financial Reporting Standard (MFRS) 17 Insurance Contracts is effective from 1 January 2023. MFRS 17 governs the standard on insurance contracts, specifically, the principles for the recognition, measurement, presentation and disclosure of the insurance contracts. The objectives of MFRS 17 are to present the effect of the insurance contracts on the Company's financial position, performance and cash flows.

The system implementation to support the MFRS 17 was completed in 2022.

MFRS 9 Financial Instruments is effective from 1 January 2023, and it contains new classification and measurement approaches for financial assets that reflect the business model in which the assets are managed.

MFRS 17 governs the standard on insurance contracts, specifically, the principles for the recognition, measurement, presentation and disclosure of these insurance contracts



Risk Management in Technology (RMiT), Cyber Security and Information Security

With the Company's expansion in digital and technological capabilities, the risks associated will also increase. An essential step towards securing the Company's data was to strengthen Data Loss Prevention (DLP) controls to focus on internal procedures and appropriate technology to enforce DLP policies and detect DLP violations.

An annual cyber drill to test the effectiveness of the Company's Cybersecurity Incident Response has been established, covering the effectiveness of escalation, communication and decision-making processes as well as the readiness and effectiveness of the Cybersecurity Incident Response Teams.

Strengthening DLP controls to focus on internal procedures and appropriate technology



Awards

The Company was recognised at the 2022 MSIG Asia Innovation Awards as the 1st Prize Winner for the fifth year in a row, in particular, for the implementation and success of the Company's Perlindungan Tenang product, Mini PA.

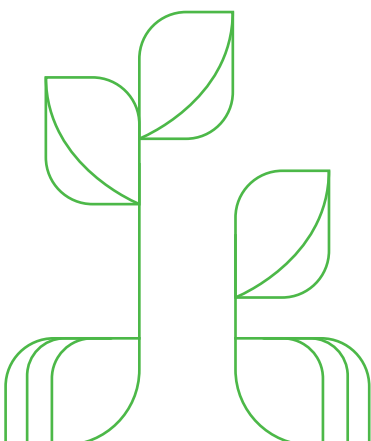
This same product also earned the Company an Honourable Mention from MS&AD Insurance Group's Sustainability Contest 2022 for offering affordable insurance protection to the underserved community.

The Company was yet again shortlisted as a contender for the Asia Insurance Industry Awards 2022 for General Insurance Company of the Year. Despite not earning the top award, the Company continues to strive for excellence within the industry alongside the many employees that worked together to achieve the great success that we have seen thus far.

MSIG Asia Innovation Awards

1st
Prize

for
Perlindungan
Tenang product, Mini PA



Sustainability

UN SDG 11 – Sustainable Cities and Communities



Act of Kindness

The Act of Kindness initiative continued with contributions close to RM147,000 made to various children's homes, medical care associations and community care centres.

ACT OF KINDNESS



Pledge A Difference

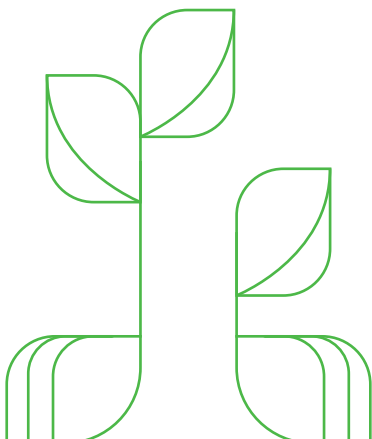
The Company continued its ringgit-to-ringgit donation to Food Aid Foundation (FAF), a non-profit organisation (NGO) that focuses on providing food baskets and other support to communities in need, whether due to economic circumstances or as a form of disaster relief.

Under the 'Pledge A Difference 2022' initiative, the Company raised a total of RM50,000 to FAF to provide food and hygiene packs to around 435 families in need.

This donation is made up of a RM30,000 donation from MSIG and a RM20,000 contribution from both the public and MSIG's pledge to match public donations ringgit-to-ringgit.



**Food and hygiene packs
were provided to families
in need**



UN SDG 13 – Climate Action



Mangrove Planting

The Company continued its investment in mangrove replanting activities that will protect local communities from destructive effects of flood waters, as part of the sustainable focus on biodiversity. The Company has worked together with Malaysian Nature Society and planted 3,415 mangrove saplings across seven states in 2022. To date, the Company has planted 5,815 mangrove saplings across Peninsular Malaysia since 2019.

5,815 mangrove saplings were planted across Peninsular Malaysia since 2019

Zero Waste

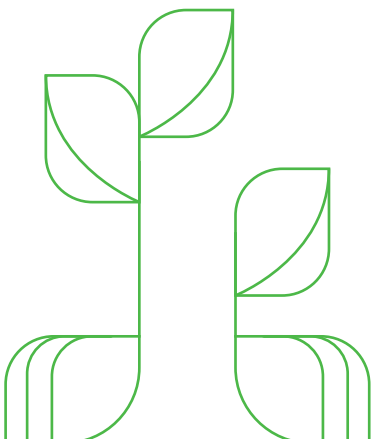
As part of the Company's focus on climate change, staff were encouraged to consider their own effect on the environment through a two-week activity with Zero Waste Malaysia, an NGO that specialises in encouraging corporate and individual contributors to consider the amount of waste produced by each and encourages the use of the 5R framework – Reduce, Reuse, Recycle, Refuse and Repurpose.

UN SDG 3 – Good Health and Well-being



Road Safety

At the heart of one of its major lines of business, the Company continued to encourage road safety through the festive communications sent to intermediaries and publicly posted on our social media.



OUTLOOK

In 2023, the Company will focus on setting its sights on new business opportunities by committing to strategies that lead to good, sustainable and competitive advantages to achieve further growth and profit.

The key drivers for 2023 will be:

- Further digitalisation and technology adaptation
- Product development in tandem with market trends
- Grow strategic segments and classes of business
- Explore new business partnerships

The Company will embark on these innovative pursuits together with the management team and employees and continue to invest in technology and digital solutions, with the aim to equip the Company to thrive, be resilient, to deliver and be responsive to customer needs.

With the Company's strategies and action steps planned, I am confident the Company will be able to do well in 2023 and achieve its strategic objectives and goals.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank BNM and the relevant Regulatory Authorities for their sound guidance and advice.

We would also like to express our gratitude and appreciation to our valued intermediaries, clients and business partners for their strong, continuous support in 2022.

The Board also wishes to extend its appreciation to the Senior Management Team and staff for their dedication and commitment to continuous improvements in line with the Company's core values.

We are pleased to welcome Mr. Kenichi Shoji as an Independent Non-Executive Director effective 21 October 2022 and Ms. Pearl Chan's reappointment as Non-Independent Non-Executive Director effective 18 March 2023.

I would like to extend my thanks to Dato' Mohd. Sallehuddin, my predecessor who retired in April 2022 for his years of contribution to the Company and also my thanks to my fellow Directors for their continued support.

Dato' Muthanna bin Abdullah
Chairman

PENYATA PENGERUSI



Bagi Pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Syarikat bagi tahun berakhir 31 Disember 2022.

Dato' Muthanna bin Abdullah
Pengerusi

TINJAUAN KEWANGAN

Syarikat mencatatkan Keuntungan Selepas Cukai sebanyak RM230.2 juta pada tahun 2022, berbanding tahun sebelumnya sebanyak RM280.0 juta. Perolehan setiap saham dilaporkan pada 69.1 sen berbanding dengan tahun sebelumnya sebanyak 84.1sen.

Premium Taja Jamin Kasar (GWP) mencatatkan pertumbuhan dua-digit yang kukuh sebanyak 10.5% atau RM155.3 juta, dan mengakhiri tahun dengan nilai RM1.6 bilion. Pertumbuhan tersebut dicatatkan daripada kelas perniagaan Motor Peribadi (RM66.9 juta), Lain-Lain Peribadi (RM29.6 juta) dan Motor Komersial (RM23.5 juta) diikuti dengan kelas perniagaan Lain-Lain Komersial (RM14.1 juta). Hal ini adalah hasil daripada pelaksanaan semula aktiviti perniagaan dan pembukaan semula sempadan, serta komitmen dan strategi Syarikat untuk fokus kepada kelas perniagaan dan produk tertentu. Pelaburan berterusan dalam pendigitalan turut meningkatkan perniagaan dalam talian dan saluran pengedaran alternatif.

Dalam industri Insurans Am, MSIG Insurance (Malaysia) Bhd telah meningkatkan kedudukan pasarannya ke kedudukan No. 2 (berdasarkan premium langsung kasar), mengukuhkan kedudukan kami sebagai salah satu penanggung insurans am terkemuka di Malaysia.





Keuntungan Taja Jamin Syarikat sebanyak RM218.7 juta adalah RM27.4 juta (11.1%) lebih rendah berbanding dengan tahun 2021. Kadar Kendalian Digabungkan Gabungan Syarikat adalah 81.1% pada tahun 2022 berbanding 77.0% pada tahun 2021.

KEDUDUKAN PASARAN

No. 2

KEUNTUNGAN SELEPAS CUKAI

RM230.2 juta

PEROLEHAN SETIAP SAHAM

69.1 sen

PREMIUM TAJA JAMIN KASAR

RM1.6 billion

Tuntutan yang lebih tinggi disebabkan oleh peningkatan aktiviti dari pelaksanaan semula ekonomi, terutamanya untuk kelas perniagaan Motor Peribadi, Penjagaan Kesihatan dan Lain-Lain Peribadi. Sebahagian daripada peningkatan tuntutan tersebut diimbangi dengan tuntutan yang lebih rendah daripada kelas perniagaan Hartanah dan Marin (berbanding dengan tuntutan yang jauh lebih tinggi direkodkan untuk bencana banjir pada akhir tahun lalu).

Kos perbelanjaan juga lebih tinggi disebabkan oleh peningkatan aktiviti dan selaras dengan pertumbuhan perniagaan dan GWP yang lebih tinggi.

Jumlah pelaburan Syarikat terus meningkat kepada RM3.5 bilion; peningkatan sebanyak RM122.9 juta. Pendapatan pelaburan menurun sebanyak RM3.5 juta, berikutan daripada keseluruhan persekitaran kadar faedah yang rendah. Syarikat mencatatkan keuntungan pelaburan yang terealisasi sebanyak RM13.4 juta tetapi mengalami kemerosotan nilai pelaburan sebanyak RM15.8 juta pada portfolio Ekuiti. Jumlah pelaburan dan pendapatan lain Syarikat berjumlah RM84.7 juta.

Prestasi tahun ini membolehkan Syarikat mencapai Keuntungan Sebelum Cukai sebanyak RM303.4 juta dan Keuntungan Selepas Cukai sebanyak RM230.2 juta, mencerminkan perolehan bersih setiap saham sebanyak 69.1 sen. Syarikat telah menunjukkan pertumbuhan dan komitmen kukuh dalam melaporkan keuntungan yang baik selari dengan pertumbuhan ekonomi yang semakin meningkat.

Jumlah Aset, termasuk Muhibah, berjumlah RM6.1 bilion pada akhir tahun kewangan 2022, mengalami penurunan sebanyak RM84.0 juta daripada RM6.2 bilion, akibat prestasi pasaran dan pelaburan yang suram pada akhir tahun 2022.

JUMLAH ASET

RM6.1 bilion

JUMLAH PELABURAN

RM3.5 bilion

JUMLAH PELABURAN DAN PENDAPATAN LAIN

RM84.7 juta

TINJAUAN OPERASI

Peningkatan Produk & Perkhidmatan

Sebagai sebahagian daripada perhatian Syarikat terhadap kemampuan, produk baharu yang diperkenalkan tahun lalu memberi tumpuan kepada inisiatif Perubahan Iklim dan mikroinsurans.

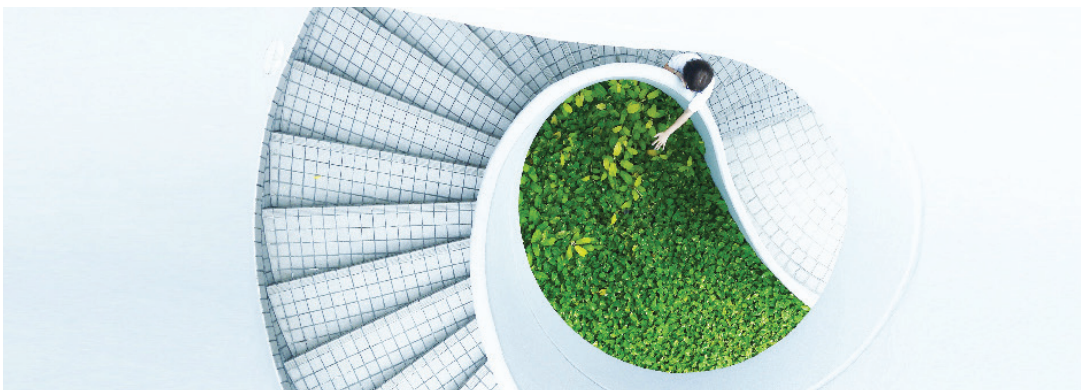
Solar PV All Risks

Panel suria fotovoltaik (PV) semakin murah dan efisien, mengakibatkan peningkatan kadar penerimaan dan keperluan buat perniagaan untuk melindungi pelaburan tenaga bersih mereka. Insurans MSIG *Solar PV All Risks* menjamin panel-panel ini daripada kerugian atau kerosakan akibat kebakaran, kecurian, dan kerosakan tidak sengaja. Produk ini memberikan pampasan untuk pendapatan atau simpanan yang terjejas akibat masa rosak, bergantung pada sama ada sistem di bawah Program *Feed-in-Tariff* (FIT) atau *Net Energy Metering* (NEM).

Memberikan perlindungan sekiranya berlaku kerugian atau kerosakan akibat kebakaran, kecurian dan kerosakan tidak sengaja



Built Back Better Green Clause



Insurans kebakaran biasa membantu perniagaan dalam kos membina semula aset yang menjalankan operasi mereka. Syarikat memperkenalkan *Built Back Better Green Clause*—satu klausa tambahan untuk insurans kebakaran yang meliputi kos tambahan untuk menggantikan bahan binaan yang rosak dengan alternatif yang mampan.

Meliputi kos tambahan untuk menggantikan bahan yang rosak dengan alternatif yang mampan



Insurans Pendapatan Hospital Tenang

Sebagai sebahagian daripada Inisiatif Perlindungan Tenang oleh Bank Negara Malaysia (BNM), produk ini dibangunkan untuk menyediakan kumpulan pendapatan B40 dengan perlindungan pendapatan hospital.



Weekly Indemnity

Dicipta untuk pekerja bebas dan ekonomi gig, produk ini menyediakan pendapatan sehingga 12 minggu apabila pemegang polisi tidak dapat bekerja akibat kecederaan yang dialami akibat kemalangan.

Menyediakan pendapatan sehingga 12 minggu apabila pemegang polisi tidak dapat bekerja



Selain itu, Syarikat juga telah memperkenalkan pelbagai produk baharu yang direka untuk menyediakan perlindungan bagi aset, kesihatan dan gaya hidup pemegang polisi.

EZ Home Essentials

Satu pelan insurans dalam talian sahaja yang mudah, *EZ Home Essentials* menyediakan insurans kandungan rumah tahap permulaan, terutama untuk mereka yang menyewa rumah atau mereka yang memerlukan pilihan yang lebih mesra bajet untuk rumah pertama mereka.



Insurans Perjalanan

Untuk menangani pemulihan industri pelancongan, Syarikat menambahkan Pelan Tahunan baharu yang menyediakan liputan yang lebih tinggi untuk pemegang polisi, serta Pengaturan Pengangkutan Alternatif Tambahan, satu perlindungan tambahan untuk memberikan fleksibiliti terhadap perubahan yang tidak dijangka pada rancangan perjalanan mereka.

Memberi liputan yang lebih tinggi dan perlindungan tambahan alternatif terhadap perubahan yang tidak dijangka



Perlindungan Tambahan Kemalangan Peribadi

Perubatan Tradisional dan Komplementari terus menjadi kaedah rawatan alternatif terpilih untuk pelbagai penyakit dan kecederaan. Syarikat menawarkan pemegang polisi Insurans Kemalangan Peribadi kebebasan untuk meneroka dengan Perlindungan Tambahan Perubatan Cina Tradisional (TCM) yang menyediakan had bayaran balik tahunan untuk kos TCM.

Menyediakan had bayaran balik tahunan untuk kos Perubatan Cina Tradisional



Perlindungan Tambahan Kebakaran

Syarikat memperkenalkan Perlindungan Tambahan Kebakaran baharu, insurans Gelinciran Tanah atau Tanah Runtuh kerana hujan lebat yang menyebabkan gelinciran tanah dan tanah runtuh semakin menjadi kebimbangan dalam kalangan pemilik rumah. Perlindungan Tambahan ini menyediakan fleksibiliti dalam membayar lebih untuk memenuhi keperluan pemegang polisi. Lebih merujuk kepada jumlah kerugian yang dilindungi yang harus ditanggung oleh syarikat insurans.

Lebih yang fleksibel bagi memenuhi keperluan pemegang polisi



Kerjasama Afiniti

Untuk memperluas kejayaan kerjasama digital yang lalu, Syarikat terus menjalinkan hubungan strategik dengan platform digital untuk meningkatkan kesedaran jenama MSIG dan memperkenalkan produk insurans yang relevan dengan kadar yang lebih tinggi melalui titik sentuhan pelanggan baharu.

IT & Digitalisasi

Syarikat terus meneroka variasi kemajuan teknologi untuk meningkatkan pengalaman pelanggan secara holistik. Hal ini termasuk mempertingkatkan aplikasi MY MSIG semasa dan portal perantara baharu.

Selain itu, penggunaan Automasi Proses Robotik (RPA) telah diperluaskan untuk merangkumi proses baharu. RPA ialah satu inisiatif transformasi perniagaan utama untuk menyelaras dan mengautomasikan proses dengan matlamat untuk memproses tugas-tugas fungsian dalam masa pusing balik yang lebih singkat sambil mengekalkan dan melebihi hasil pengeluaran semasa.

RPA menyelaras dan mengautomasikan proses dengan matlamat untuk memproses tugas-tugas fungsian dalam masa pusing balik yang lebih singkat sambil mengekalkan dan melebihi hasil pengeluaran semasa

Data & Analitik

Berdasarkan Sistem Pemantauan Aktuari dan Rangka Kerja Pengurusan Data tahun sebelumnya, Syarikat melancarkan lebih banyak inisiatif analitik untuk membangunkan pemahaman data yang lebih mendalam terhadap profil pemegang polisi dan perilaku pelanggan. Hal ini dilakukan untuk menyokong pertumbuhan GWP, meningkatkan keuntungan dan memacu kecekapan operasi yang lebih baik.

Pekerja

Peningkatan Peralatan Produktiviti Kerja

Untuk lebih memanfaatkan peralatan yang telah menginspirasi kerjasama dalam organisasi pada tahap yang lebih besar, Syarikat telah menganjurkan latihan untuk memperkenalkan pekerja dengan Office 365 dan memulakan program *Champions For Change* untuk meningkatkan lagi produktiviti.



Peninjauan Faedah dan Pampasan Pekerja

Syarikat telah meninjau dan menjajarkan tanda aras untuk pampasan dan faedah demi memastikan Syarikat menyediakan faedah yang kompetitif dan serasi dengan pasaran bagi jawatan utama, lantas memperkuat lagi pengekalan pekerja.

Panduan Bekerja dari Rumah juga telah dilaksanakan buat pekerja untuk menjalankan pengaturan kerja hibrid.



Peningkatan Latihan Kemahiran untuk Pekerja dan Perantara

Pekerja diberikan lebih banyak peluang untuk meningkatkan keupayaan mereka melalui peningkatan kemahiran literasi data dan kemahiran IT. Rotasi kerja berkala juga membolehkan kakitangan mengembangkan kemahiran baru dan meluaskan skop pekerjaan mereka untuk lebih memahami pelbagai aspek Syarikat dan perniagaan Insurans Am.

Selain itu, perantara diperkenalkan kepada pengetahuan teknikal baharu serta latihan produk. Modul pemasaran digital diperkenalkan untuk mempersiapkan mereka memasarkan secara efektif dalam ruang digital.



Pelaksanaan Berperingkat 2.0 untuk Liberalisasi Insurans Kebakaran dan Motor



BNM telah mengumumkan Pelaksanaan Berperingkat 2.0, dengan fleksibiliti harga yang lebih luas di bawah Pelan Induk Sektor Kewangan 2022-2026 untuk Insurans Motor dan Kebakaran. Syarikat Insurans dikehendaki untuk memajukan reformasi dalam kelas Motor dan meningkatkan ekosistem tuntutan digital menyeluruh untuk memberikan pengalaman pelanggan yang lancar selepas kemalangan.

Tadbir Urus & Pengurusan Risiko Korporat

Pemeriksaan Prosedur untuk Tanggungjawab Korporat

Untuk memperkasakan asas Syarikat sebagai entiti korporat yang bertanggungjawab, pasukan keselamatan melaksanakan pengesahan prosedur perolehan dalam rantaian bekalan untuk memantapkan Syarikat terhadap Seksyen 17A Akta SPRM 2009 yang mengawal kesalahan rasuah yang dilakukan oleh organisasi komersial.

Langkah-langkah tambahan juga diambil berkaitan dengan Perbuatan Tidak Jujur dan Menyalahi Undang-Undang sebagai sebahagian daripada dasar sifar toleransi Syarikat. Semua kakitangan dan rakan kongsi perniagaan harus mengekalkan standard etika dan profesional yang tertinggi pada setiap masa.



Standard Perakaunan Baharu

Kontrak Insurans Standard Laporan Kewangan Malaysia (MFRS) 17 berkuat kuasa pada 1 Januari 2023. MFRS 17 mengawal standard kontrak insurans, khususnya prinsip pengiktirafan, pengukuran, perbentangan dan pendedahan kontrak insurans. Objektif MFRS 17 adalah untuk mempersembahkan kesan kontrak insurans terhadap kedudukan kewangan, prestasi dan aliran tunai Syarikat.

Implementasi sistem untuk menyokong MFRS 17 telah selesai pada tahun 2022.

Instrumen Kewangan MFRS 9 berkuat kuasa pada 1 Januari 2023, dan ia mengandungi klasifikasi serta pendekatan pengukuran baharu untuk aset kewangan yang mencerminkan model perniagaan di mana aset tersebut dikendalikan.

MFRS 17 mengawal standard kontrak insurans, khususnya prinsip pengiktirafan, pengukuran, perbentangan dan pendedahan kontrak insurans

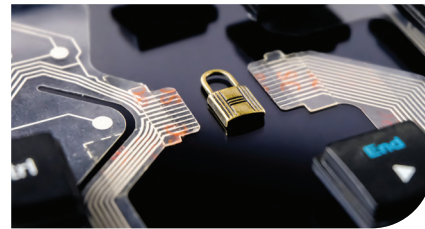


Pengurusan Risiko dalam Teknologi (RMiT), Keselamatan Siber dan Keselamatan Maklumat

Dengan peningkatan kemampuan digital dan teknologi Syarikat, risiko yang berkaitan juga akan meningkat. Langkah penting untuk menjaga data Syarikat adalah dengan memperkuat dasar Pencegahan Kehilangan Data (DLP), memberi tumpuan pada prosedur-prosedur internal dan teknologi yang sesuai untuk menegakkan dan mengesan pelanggaran dasar DLP.

Ujian siber tahunan telah dilaksanakan untuk menguji keberkesanan Tindak Balas Insiden Keselamatan Siber Syarikat, meliputi keberkesanan proses peningkatan, komunikasi, pembuatan keputusan serta kesiapsiagaan dan keberkesanan Pasukan Tindak Balas Insiden Keselamatan Siber.

Memperkuatkan dasar DLP untuk memberi tumpuan pada prosedur-prosedur internal dan teknologi yang sesuai



Anugerah

Syarikat telah diiktiraf sebagai Pemenang Hadiah Pertama untuk tahun kelima berturut-turut buat Anugerah Inovasi Asia MSIG 2022, terutamanya untuk pelaksanaan dan kejayaan produk Perlindungan Tenang Syarikat, Mini PA.

Produk yang sama juga telah memenangi Penghargaan Kehormat dalam Pertandingan Kestabilan MS&AD Insurance Group 2022 kerana menawarkan perlindungan insurans untuk komuniti yang memerlukan.

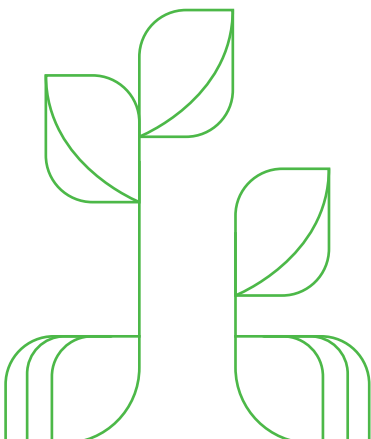
Syarikat sekali lagi disenaraikan sebagai peserta yang berpotensi memenangi Anugerah Industri Insurans Asia 2022 bagi Syarikat Insurans Am Terbaik. Walaupun tidak memenangi anugerah utama, Syarikat terus berusaha untuk kecemerlangan dalam industri bersama dengan para pekerja yang bekerjasama demi mencapai kejayaan besar yang telah kita lihat sejauh ini.

Anugerah Inovasi Asia MSIG 2022

PEMENANG HADIAH

1

untuk produk Perlindungan Tenang, Mini PA



Kemampanan

UN SDG 11 – Bandar dan Masyarakat Mampan



Act of Kindness

Inisiatif *Act of Kindness* diteruskan dengan sumbangan hampir RM147,000 kepada pelbagai rumah anak yatim, persatuan penjagaan perubatan dan pusat penjagaan komuniti.

ACT OF KINDNESS



Pledge A Difference

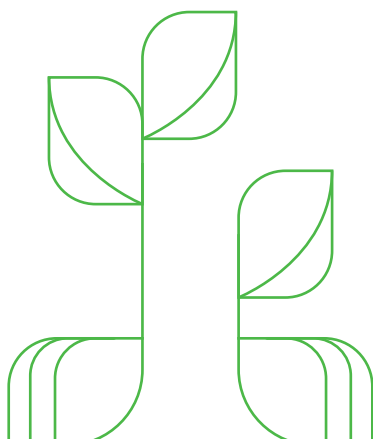
Syarikat meneruskan sumbangan ringgit-untuk-ringgit kepada *Food Aid Foundation* (FAF), sebuah badan bukan kerajaan (NGO) yang fokus dalam menyediakan bakul makanan dan sokongan lain kepada komuniti yang memerlukan, sama ada disebabkan oleh keadaan ekonomi atau sebagai bantuan dalam situasi bencana.

Di bawah inisiatif '*Pledge A Difference 2022*', Syarikat mengumpulkan sejumlah RM50,000 untuk FAF di mana jumlah itu digunakan untuk menyediakan bungkusan makanan dan kebersihan diri kepada kira-kira 435 keluarga yang memerlukan.

Sumbangan ini terdiri daripada sumbangan RM30,000 dari MSIG dan sumbangan RM20,000 dari orang ramai dan janji MSIG untuk memadankan derma ringgit-untuk-ringgit.



Pek makanan dan kebersihan diri telah disediakan untuk keluarga yang memerlukan



UN SDG 13 – Tindakan Iklim



Penanaman Bakau

Syarikat meneruskan pelaburan dalam aktiviti penanaman semula bakau yang akan melindungi komuniti setempat daripada kesan buruk banjir, sebagai sebahagian daripada fokus kemampanan biodiversiti. Syarikat telah bekerjasama dengan Persatuan Pencinta Alam Malaysia dan menanam 3,415 anak pokok bakau di tujuh negeri pada tahun 2022. Kini, Syarikat telah menanam 5,815 anak pokok bakau di seluruh Semenanjung Malaysia sejak 2019.

5,815 anak pokok bakau telah ditanam di seluruh Semenanjung Malaysia sejak 2019

Sisa Sifar

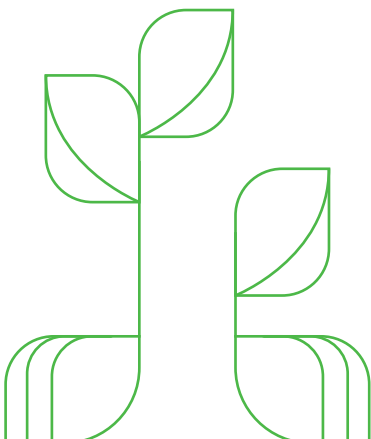
Sebagai sebahagian daripada fokus Syarikat ke atas perubahan iklim, kakitangan digalakkan untuk mempertimbangkan kesan mereka sendiri terhadap alam sekitar melalui aktiviti selama dua minggu dengan Zero Waste Malaysia, iaitu sebuah NGO yang mengkhusus dalam menggalakkan penyumbang korporat dan individu untuk mempertimbangkan jumlah sisa yang dihasilkan oleh setiap orang dan menggalakkan penggunaan kerangka 5R - Kurangkan, Guna Semula, Kitar Semula, Tolak dan Pemulihan.

UN SDG 3 – Kesihatan dan Kesejahteraan yang Lebih Baik



Keselamatan Jalan Raya

Sebagai salah satu sektor utama perniagaannya, Syarikat meneruskan usaha ke arah keselamatan jalan raya melalui komunikasi semasa perayaan yang dihantar kepada perantara dan dimuat naik secara awam di media sosial Syarikat.



TINJAUAN

Pada tahun 2023, Syarikat akan memberi tumpuan kepada peluang perniagaan baharu dengan mengambil pendekatan strategi yang memberikan kebaikan, kemampuan dan kelebihan kompetitif untuk mencapai pertumbuhan dan keuntungan yang lebih besar.

Pemacu utama bagi tahun 2023 adalah:

- Penerapan digitalisasi dan teknologi yang lebih lanjut
- Pembangunan produk yang sejajar dengan trend pasaran
- Pertumbuhan segmen dan kelas perniagaan strategik
- Penerokaan kerjasama perniagaan baharu

Syarikat akan menjalankan usaha-usaha inovatif ini bersama-sama pasukan pengurusan dan para pekerja dan terus melabur dalam teknologi dan penyelesaian digital, dengan matlamat untuk melengkapi Syarikat agar dapat berkembang, berdaya tahan, memenuhi kehendak dan responsif kepada keperluan pelanggan.

Dengan strategi dan tindakan Syarikat yang dirancang, saya yakin Syarikat akan berjaya pada tahun 2023 dan mencapai objektif dan matlamat strategiknya.

PENGHARGAAN

Bagi pihak Lembaga, saya ingin mengucapkan terima kasih kepada BNM dan Pihak Berkuasa Pengawalseliaan berkenaan untuk panduan serta nasihat mereka.

Kami juga ingin merakamkan ucapan terima kasih dan penghargaan kepada para perantara, pelanggan dan rakan perniagaan kami yang dihargai atas sokongan kukuh dan berterusan mereka pada tahun 2022.

Lembaga juga ingin memanjangkan penghargaannya kepada Pasukan Pengurusan Kanan dan kakitangan atas dedikasi dan komitmen mereka terhadap peningkatan berterusan selaras dengan nilai teras Syarikat.

Kami berbesar hati untuk mengalu-alukan Encik Kenichi Shoji sebagai Pengarah Bebas Bukan Eksekutif mulai 21 Oktober 2022 dan pelantikan semula Puan Pearl Chan sebagai Pengarah Bebas Bukan Eksekutif mulai 18 Mac 2023.

Akhirnya, saya ingin mengucapkan terima kasih kepada Dato' Mohd Sallehuddin, pendahulu saya yang bersara pada April 2022 atas sumbangan beliau kepada Syarikat dan juga kepada rakan-rakan pengarah saya atas sokongan mereka yang berterusan.

Dato' Muthanna bin Abdullah

Pengerusi

CLIMATE-RELATED DISCLOSURES



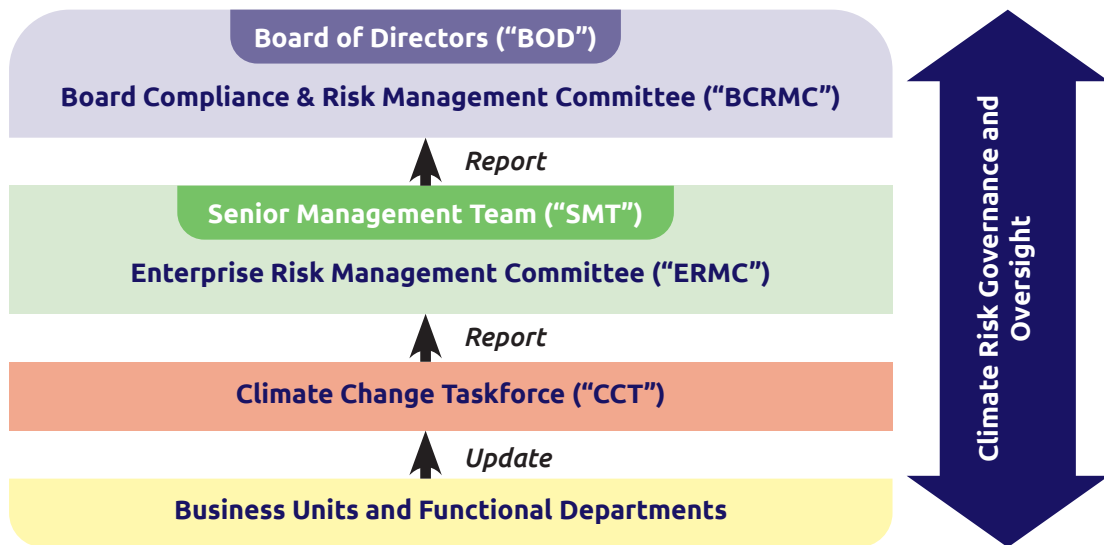
Climate change has posed significant risks to the daily lives of mankind, business environment and ecosystems. Globally, rising sea levels, floods, droughts, and various extreme climate events have continued to manifest in their frequencies and intensify in their exposures.

The Company recognises the risk of climate change towards the community and economy, and we are cognizant of the importance of promoting orderly climate change transition towards a low-carbon economy. Since 2020, we have been embarking on the journey of climate change transitioning, taking active steps in addressing and supporting the climate change agenda through various initiatives.

The Company has started to disclose climate-related risk governance and strategies in 2021. In 2022, guided by the JC3’s Task Force on Climate-related Financial Disclosure (“TCFD”) Application Guide¹, the climate-related disclosures approach has been further enhanced, aligned with TCFD’s recommendations through the four key areas of Governance, Strategy, Risk Management and Metrics & Targets.

1 GOVERNANCE

For holistic management of climate risk and opportunities, the Company has in place a well-defined governance structure, consisting of the Board Compliance & Risk Management Committee (“BCRMC”), the Enterprise Risk Management Committee (“ERM”), and the Climate Change Taskforce (“CCT”). The multitiered governance ensures effective oversight of climate-related matters – as shown below.



¹JC3 - TCFD Application Guide is the Application Guide published by Joint Committee on Climate Change (JC3) which outlines key recommendations to facilitate the adoption of TCFD Recommendations by Malaysian financial industry. JC3 is a platform for regulator-industry cooperation to build climate resilience within the Malaysia financial sector, which is also co-chaired by Bank Negara Malaysia and Securities Commission Malaysia.

1.1 Board oversight of climate-related risks and opportunities

The BCRMC, a committee delegated by the Board of Directors (“BOD”), provides primary oversight on climate-related matters and direct supervision of climate-related risk management activities by the Company. The BCRMC meets quarterly and is apprised of the key development in climate-related risk management activities through update reports, among other material financial risks.

Dedicated in-house board trainings were held to keep the directors abreast with the development in climate-related topics such as impact of climate change on insurance industry, TCFD’s recommendations, climate science, national climate agenda and regulatory development.

1.2 Management’s role of climate-related risks and opportunities

The Company’s approach to managing climate-related risks and opportunities is coordinated at an enterprise-level management committee, the ERMC, which comprises the Company’s Senior Management Team, and reports to the BCRMC.

The ERMC is supported by a dedicated cross-functional working-level committee – the CCT. Established in 2021, the CCT is headed by the CEO and Deputy CEO, and comprises cross-functional representatives who play pivotal roles in steering our climate change initiatives in six focus areas:

1. To integrate climate-related considerations in the Company’s business operations, decision making and risk management
2. To adopt the Climate Change and Principle-based Taxonomy (“CCPT”) as a foundation for classifying exposures to climate-related risks
3. To adopt recommendations by the TCFD for the disclosure of climate related-risks
4. To explore climate-related considerations in stress testing and scenario analysis
5. To explore relevant metrics and setting sustainability targets, as well as developing new products that aid the management of climate-related risks
6. To implement adequate capacity building programmes

We continue to strengthen and accelerate the development of climate risk management capabilities through active participation in in-house conferences as well as various external capacity building programs. Diverse climate-related research was performed and insights were shared with relevant committees as part of the strategic priority to equip our staff with cutting-edge climate-related knowledge.

The Company is also an active participating member of the JC3 and various industry-level climate-related committees to pursue collaborative action in addressing climate change.

2 STRATEGY

As a general insurer, the Company is exposed to a broad range of climate-related risks and opportunities. There are two main types of risks, in which climate change can manifest its impact across the Company's business activities:

- **Physical Risk** – acute and chronic extreme weather events, causing increase in severity and/or frequency of adverse climate events
- **Transition Risk** – arising from the adjustments toward a low carbon economy, i.e. policy, legal, technology and change in consumer/market preference

The table below summarises the impact of physical and transition climate risk with examples of how these factors may affect the Company's business activities and day-to-day operations:

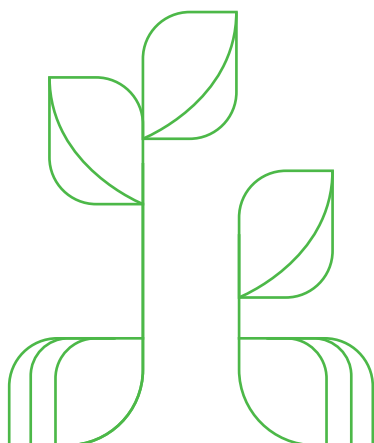
Climate-related Risk	How it could affect the Company financially
Physical Risk	<ul style="list-style-type: none"> • Increase of insurance claim due to rising frequency and severity of natural catastrophes especially flood • Increase of uncertainty and model risk in loss estimation • Increase of liquidity requirement during the event of natural catastrophes • Increase of reinsurance credit risk when the financial viability of reinsurance counterparties are affected by natural catastrophes • Increase of reinsurance cost due to hardening of reinsurance rate
Transition Risk	<ul style="list-style-type: none"> • Lower investment income due to repricing of assets from the market transition to low carbon economy • Shift of demand pattern on insurance product offering, i.e. customer looks for green proposition



The Company takes a holistic view of the climate risk and opportunities, and establishes our key strategies to take on the initiatives whole-heartedly based on the guiding principle of Embrace, Enable and Evolve.

Key Strategies	Example of the initiatives
Enterprise-wide integration of climate change considerations in risk assessment, reporting and capacity buildings	<ul style="list-style-type: none"> • Integration of climate-related considerations in the Company's strategic planning and capital assessment • Monitor and report key development on climate risk and opportunities for effective oversight • Participate and develop climate-related capacity building programs
Restricting underwriting and investment on coal-based power generating businesses	<ul style="list-style-type: none"> • Strengthening internal policies and guidelines with commitment to restrict underwriting and investing in new coal-fired power plant
Strengthening the use of taxonomy and other relevant tools for better climate risk understanding and target setting	<ul style="list-style-type: none"> • Development of internal classification questionnaire in line with the CCPT to facilitate the assessment of the Company's climate-related investment exposure • Monitor and report climate risk exposure in line with CCPT • Engagement with the Company's corporate clients to promote advocacy on climate agenda through incorporation of climate-related risk survey questionnaire
Developing green and sustainable products to facilitate orderly climate transition	<ul style="list-style-type: none"> • Development of Solar PV All Risks insurance to support the commitment of generating green energy from solar photovoltaic ("PV") system • Development of Built Back Better Green Clause in existing fire insurance coverage that covers the additional cost of replacing damaged materials with sustainable materials during rebuilding in accordance to the Green Building Index ("GBI")² Guidelines
Understanding the Company's carbon footprint to accelerate our carbon reduction effort	<ul style="list-style-type: none"> • Measuring and tracking of the Company Scope 1 greenhouse gas ("GHG") emission from company-owned vehicles • Measuring and tracking of the Company Scope 2 GHG emission from the electricity consumption in company offices • Ongoing development of an enterprise-wide "Energy Conservation Policy" • Acquiring internationally recognised renewable energy certificates ("i-Rec") to offset and support the transition towards clean and renewable energy

²Green Building Index (GBI) is Malaysia's industry recognised green rating tool for buildings to promote sustainability.



3 RISK MANAGEMENT

3.1 Regulatory Development

In the course of paving our climate change journey, the Company fully supports climate-related regulatory requirements and initiatives, including but not limited to the below:

- **Providing extensive feedback during the consultation period**
- **Participating in various questionnaire survey**
- **Preparation of the implementation plan to align with regulatory expectations on climate risk management practices**

Relevant Bank Negara Malaysia (“BNM”) climate-related regulatory requirements:

Regulatory Guidance/Policy Document/Discussion Paper
Climate Change and Principle-based Taxonomy
Policy Document on Climate Risk Management and Scenario Analysis
Discussion Paper on 2024 Climate Risk Stress Testing Exercise

The Company also strives to pursue collaborative action in improving the resilience against climate risk and facilitating the climate change transition towards a low carbon economy through the active participation in the regulatory driven platforms below:

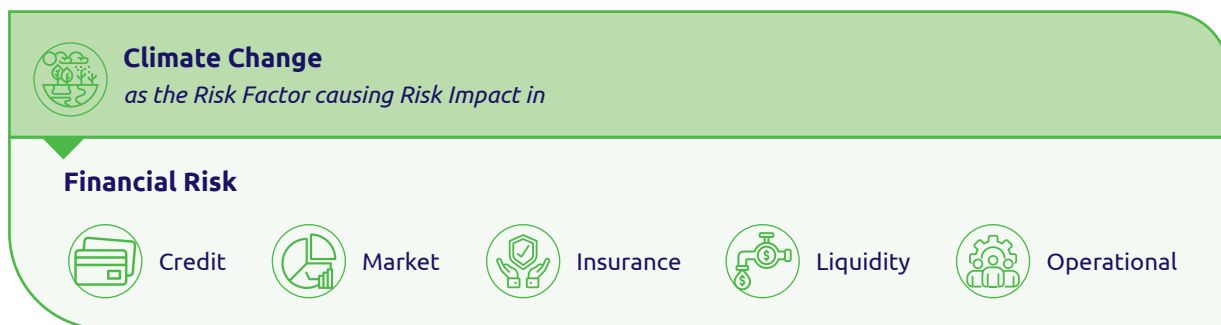
<p>Joint Committee on Climate Change (“JC3”)</p>	<p>JC3 Sub-Committee on Bridging the Data Gaps (“JC3 SC5”)</p>	<p>BNM CCPT Implementation Group (“CCPT IG”)</p>
<p>Active involvement in regular meetings to support efforts in strengthening the management of climate-related risks and increasing the financial flows towards greener and sustainable activities for the financial sector</p>	<p>Active participation in the group meetings and deliberations to address data gaps in climate and environmental risks-related information</p>	<p>Member of the implementation group to promote better knowledge sharing among the industry player in the implementation of CCPT</p>



3.2 Climate Risk Management

The Company's Enterprise Risk Management ("ERM") Framework, the overarching framework in risk management activities, governs the identification, assessment, management, monitoring and reporting of risks, including those driven by climate change.

Climate change considerations are embedded in the Company's risk management approach as part of the overall risk management process. In the risk detailing methodology, climate change is assessed across the conventional key financial risk categories, including credit risk, market risk, insurance risk, liquidity risk, and operational risk.



The management of climate-related risks are embedded in the Company through:

- Risk Appetite Framework ("RAF")
- Financial Plans such as Stress Testings
- Internal Policies and Procedures
- Capacity Building Programs

3.3 Risk Appetite Framework

The Risk Appetite Framework ("RAF"), which is reviewed and approved by the Board annually, articulates the risks that the Company is willing to accept to achieve our strategic objectives and meet our obligations to stakeholders. The Company's existing RAF has incorporated the qualitative and quantitative aspects of physical climate risks under the key risk categories of underwriting risk and liquidity risk.

The Company will continue to strengthen the integration of climate consideration in the RAF during our routine review.

3.4 Stress Testing

Climate-related consideration has been factored into our regular capital stress testing exercise as part of the Company's Internal Capital Adequacy Assessment Process ("ICAAP") and the preparation of Financial Condition Report ("FCR"). The climate-related stress testing is performed to assess the resilience of the Company's capital position to withstand various shocks caused by the climate-related factors identified.

The Company will continuously develop internal data capabilities, tools and methodologies to incorporate the distinctive elements of climate-related risks in our stress testing exercise more effectively.

3.5 Internal Policies and Controls

Climate-related consideration is embedded into the Company's internal policies and controls. The Company will continue to implement and review those policies and controls along with our development in climate risk management capabilities. Some examples of the Company's policies and controls include:

Climate-related consideration in internal policies	<ul style="list-style-type: none"> • Consideration of natural disaster risk in the Company's reinsurance policy • Strengthening of underwriting and investment policy with commitment to restrict underwriting and investing in new coal-fired power plant
Reinsurance as a tool to ensure financial soundness and stability	<ul style="list-style-type: none"> • Review of the Company's reinsurance arrangement annually, which serves to provide protection against material volatility in our underwriting performance and to ensure capital resiliency, including the concern arising from natural catastrophe loss
Understanding climate physical risk exposures	<ul style="list-style-type: none"> • Flood and Subsidence & Landslip risk are considered in the Company's underwriting risk assessment process • Catastrophe risk modeling performed by external vendor to understand exposures to extreme climate risk events particularly on flood. These outputs support our assessment on capital requirements, financial and strategic planning as well as approaches to our reinsurance protection and exposure monitoring
Engagement with clients to advocate for climate response	<ul style="list-style-type: none"> • Incorporation of climate-related questionnaire in underwriting risk survey to gain insights about the climate change-focused consideration and actions among corporate clients
Product & service innovation to help climate change mitigation and adaptation	<ul style="list-style-type: none"> • Developing insurance solutions to help communities adapt to climate change and support their transition towards a low-carbon future

3.6 Climate Risk Capacity Building Programs

Key Achievement of Climate-Related Capacity Buildings Programs in 2022

- Upskill staff with necessary skills in managing climate-related risks and opportunities
- Promote a climate and environmentally conscious workplace

Internal Capacity Building Programs

- Talk on "Climate Change - The Road Ahead" in the Company's Kick-Off Conference
- Dedicated Board trainings cover development in climate risk management
- Talk on "Climate Change Influencer" in the Company's Mid-Term Conference
- Workshop to prepare for BNM CCPT's implementation and reporting
- Webinar on "Reducing Carbon Footprint" for branches

The Company will continue to develop and improve our climate risk management capabilities throughout 2023. These include continuous training programs and active involvement in various climate-related committees.

4 METRICS

The Company has started to measure our carbon footprint based on globally accepted standards. This is part of the Company’s effort to accelerate our carbon reduction effort.

GHG Emission Scope 1 and Scope 2 (in tCO₂eq):

	Source	2020	2021 ³	2022
Scope 1	Company-owned Vehicle ¹	83.7	34.1	67.1
Scope 2	Purchased Electricity ²	802.3	769.2	797.3

Notes:

¹Scope 1 GHG emissions are the direct emissions attributed to the sources controlled or owned by the Company. We calculate our emissions based on the fuel consumption of our company-owned vehicles based on the tracking of petrol consumption from petrol cards. The emission factor was derived from UK Government GHG Conversion Factors for Company Reporting.

²Scope 2 GHG emissions include the purchased electricity for our head offices and branches across the entire Malaysian operations. The emission factor was derived from 2017 Clean Development Mechanism (“CDM”) Electricity Baseline for Malaysia published by Malaysian Green Technology Corporation (“MGTC”).

³Noticeable reduction in petrol consumption and electricity usage in 2021 due to movement restrictions and work-from-home (“WFH”) arrangements deployed during the Covid-19 pandemic.

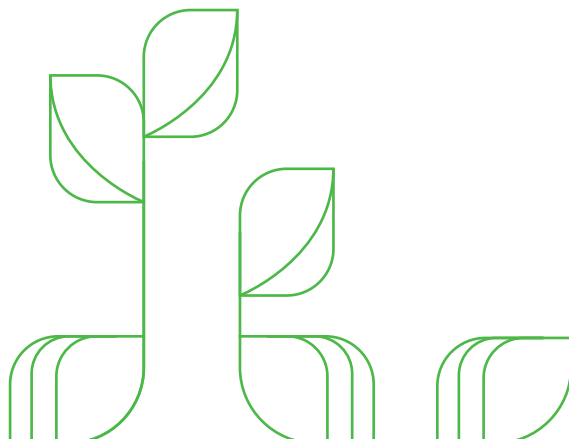
Other notable developments in the Company’s climate risk initiatives:

2 Climate-related products/
Add-Ons have been
launched in 2022

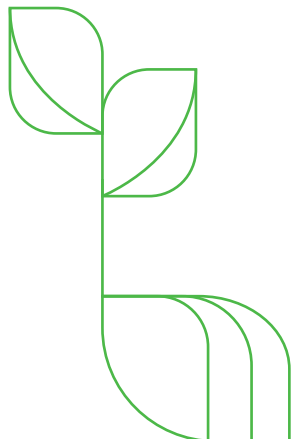
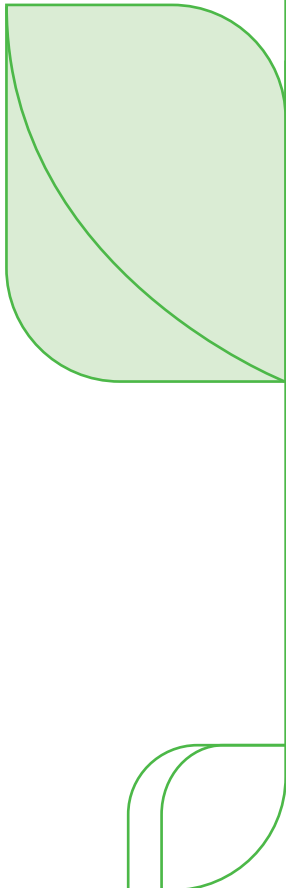
650+

Corporate clients have been
engaged in the climate-related
questionnaire during the
underwriting risk survey

The Company will continue to identify suitable climate-related metrics once they are formalised. These metrics will then be integrated into the Company’s overall risk management approach.



FINANCIAL STATEMENTS



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of MS&AD Insurance Group Holdings, Inc., of which is incorporated in Japan and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 8(a) to the financial statements.

Financial results

	Group RM'000	Company RM'000
Profit for the year	236,339	230,185

Dividends

Since the end of the previous financial year, the Company paid final dividend of 40 sen per ordinary share totalling RM133,257,143 in respect of the year ended 31 December 2022 on 5 July 2022.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2022 is 70 sen per ordinary share totalling RM233,200,000. Such dividend, if approved, will be accounted for in the shareholders' equity as an appropriation of retained earnings during financial year ending 31 December 2023.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Muthanna bin Abdullah
 Ms. Pearl Chan Siew Cheng
 Mr. Lim Tiang Siew
 Ms. Gan Bee Lan
 Mr. Kenichi Shoji (*appointed on 21.10.2022*)
 Ms. Loh Guat Lan
 Mr. Alan John Wilson
 Dato' Mohd. Sallehuddin bin Othman (*retired on 17.04.2022*)
 Mr. Iichiro Sadamoto (*resigned on 29.04.2022*)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Shareholdings in which a Director has direct interest				
Related companies:				
BPI/MS Insurance Corporation				
Mr. Alan John Wilson	1	-	-	1
Ueang Mai Co Ltd				
Mr. Alan John Wilson	1	-	-	1
Yardhimar Company Ltd				
Mr. Alan John Wilson	1	-	-	1

	Number of options over ordinary shares				
	At 1.1.2022	Granted	Exercised	Lapsed/ cancelled	At 31.12.2022
Director interest:					
Related company:					
MS&AD Insurance Group					
Holdings, Inc.					
Mr. Alan John Wilson	949	-	-	-	949

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	From the Company RM'000
Directors of the Company:	
Fees	409
Estimated money value of any other benefits	365
	774
	774

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There was no change in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Provision for insurance liabilities

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation basis specified in Part D of the Risk-Based Capital (RBC) Framework for Insurers.

Impaired debts

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of impaired debts and the making of impairment allowance for impaired debts and satisfied themselves that all known impaired debts had been written off and adequate impairment allowance had been made for impaired debts.

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

Current assets

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, at their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they 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 the current assets in the financial statements of the Group and of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method 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:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

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 of the Company, which would render any amount stated in the financial statements of the Group and of the Company misleading.

Items of an unusual nature

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

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

Indemnity and insurance costs

The Group and the Company maintain a Directors' and Officers' Liability Insurance effected for all the Directors and members of Senior Management of the Group and of the Company. Pursuant to disclosure requirements under Section 289(7)(b) of Companies Act 2016, the insurance premium incurred during the financial year amounted to RM9,730.

There were no indemnity given to, or insurance effected for auditors of the Group and of the Company during the financial year.

Corporate governance disclosure

Board of Directors

Membership and meetings of the Committees

The composition of the Board and Board Committees, number of meetings held during the financial year ended 31 December 2022, including number of meetings convened by the Board and each Board Committee with the attendance of each member is as follows:

	Board	Board Audit Committee	Board Nominations Committee	Board Remuneration Committee	Board		
					Compliance & Risk Management Committee	Investment Committee	(Attendance / Number of Meetings)
Dato' Muthanna bin Abdullah (Independent Non-Executive Director)	(Chairman) 6/6	4/4	3/3	2/2	1/1	5/6	
Ms. Pearl Chan Siew Cheng (Independent Non-Executive Director)	6/6	-	(Chairman) 3/3	(Chairman) 2/2	4/4	(Chairman) 6/6	
Mr. Lim Tiang Siew (Independent Non-Executive Director)	6/6	(Chairman) 4/4	-	-	4/4	-	
Ms. Gan Bee Lan (Independent Non-Executive Director)	6/6	4/4	-	1/1	(Chairman) 4/4	-	
Mr. Kenichi Shoji (Independent Non-Executive Director) (Appointed on 21.10.2022)	2/2	1/1	-	-	1/1	-	

Corporate governance disclosure (continued)

Board of Directors (continued)

Membership and meetings of the Committees (continued)

	Board	Board Audit Committee	Board Nominations Committee	Board Remuneration Committee	Board Compliance & Risk Management Committee	Board Investment Committee
	(Attendance / Number of Meetings)					
Ms. Loh Guat Lan (Non-Independent Non-Executive Director)	6/6	-	-	-	-	6/6
Mr. Alan John Wilson (Executive Director)	6/6	-	3/3	-	-	-
Dato' Mohd. Sallehuddin bin Othman (Non-Independent Non-Executive Director) (Retired on 17.04.2022)	1/1	1/1	-	-	-	1/1
Mr. Iichiro Sadamoto (Independent Non-Executive Director) (Resigned on 29.04.2022)	0/1	0/1	0/1	0/1	0/1	-

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors

The profiles of the Directors of the Company are as follows:

Dato' Muthanna bin Abdullah
(Chairman/Independent Non-Executive Director)

Dato' Muthanna bin Abdullah joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 12 March 2018. He is a Barrister of Middle Temple and an Advocate and Solicitor of the High Court of Malaya. He read law at the University of Buckingham, England and was called to the Bar of England and Wales in 1982 and to the Malaysian Bar in 1983. He is a Consultant of Abdullah Chan & Co.

Currently, Dato' Muthanna is the Honorary Consul to Kuala Lumpur of the Republic of San Marino.

He is also a Director of Digital Nasional Berhad, MSM Malaysia Holdings Berhad, IHH Healthcare Berhad, Malaysian Life Reinsurance Group Berhad and a Trustee of Yayasan Siti Sapura and of the Habitat Foundation.

Presently, Dato' Muthanna serves as Chairman of the Board of Directors and is a member of the Board Audit, Nominations, Remuneration and Investment Committees of the Company.

Ms. Pearl Chan Siew Cheng
(Independent Non-Executive Director/Re-appointed as Non-Independent Non-Executive Director effective 18 March 2023)

Ms. Pearl Chan Siew Cheng joined the Board of MSIG Insurance (Malaysia) Bhd on 18 March 2014 as an Independent Non-Executive Director. She has 31 years of experience in the Malaysian fund management industry, having managed institutional money such as government funds, insurance funds, pension funds, charitable foundations and unit trust funds throughout her career.

Prior to her retirement in January 2008, she was the Deputy Chief Executive Officer of CIMB Principal Asset Management for one year, after a merger between CIMB and the Southern Bank Group. Before that, she pioneered SBB Asset Management, a wholly-owned subsidiary of the Southern Bank Group, which became the first commercial bank in Malaysia to have an asset management arm. She held the position of CEO for 17 years, and CEO/Chief Investment Officer for the first 14 years, leading a team of equity and fixed income fund managers. Before setting up SBB Asset Management, she was General Manager of Rashid Hussain Asset Management and fund manager with Bumiputra Merchant Bankers Berhad for a total of 13 years.

During her career, she also spearheaded two major corporate integration exercises in 2003 and 2007, where she successfully completed the entire integration process, involving organisation and governance structures, human resources, administrative and technical systems. She is a graduate in Economics from the University of Nottingham, England.

Presently, Ms. Chan serves as Chairman of the Board Nomination and Investment Committees and is a member of the Remuneration and Compliance & Risk Management Committees of the Company.

Mr. Lim Tiang Siew
(Independent Non-Executive Director)

Mr. Lim Tiang Siew joined MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 15 December 2018. He retired as the Group Chief Internal Auditor of CIMB Group in March 2018, after serving 27 years in CIMB. Mr. Lim's experience and expertise of over 40 years covered internal and external auditing, accounting, corporate finance and advisory, corporate governance, and compliance. For more than half of his tenure in CIMB, Mr. Lim was a member of CIMB's top most management team, and a member of all its major risk committees.

Mr. Lim has been a member of the Malaysian Institute of Certified Public Accountants since January 1981 and is a Chartered Accountant of the Malaysian Institute of Accountants since November 1987. He was an examiner for the Malaysian Institute of Certified Public Accountants professional examinations in respect of a particular subject for some 15 years before being appointed as a reviewer for the same subject, a position which he still holds.

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors (continued)

Mr. Lim Tiang Siew (continued) *(Independent Non-Executive Director)*

He joined Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank) in January 1991 as an assistant manager in the Corporate Finance Department and eventually became the Head for a number of years. After over 15 years as a Corporate Finance specialist and following the acquisition of Bumiputra-Commerce Bank by CIMB and the subsequent merger of Bumiputra-Commerce Bank with Southern Bank, Mr. Lim was appointed the Group Chief Financial Officer, a position he held for over two years before being appointed the Group Chief Internal Auditor.

Presently, Mr. Lim serves as Chairman of the Board Audit Committee and is a member of the Board Compliance & Risk Management Committee of the Company.

He is currently the Senior Independent Non-Executive Director of Sapura Energy Berhad, Chairman of its Board Audit Committee and a member of its Board Risk Committee.

Ms. Gan Bee Lan *(Independent Non-Executive Director)*

Ms. Gan Bee Lan joined the Board of MSIG Insurance (Malaysia) Bhd on 15 August 2020 as an Independent Non-Executive Director.

Ms. Gan holds a Bachelor in Accountancy from the University of Singapore. Overall, Ms. Gan has 40 years of working experience in diverse disciplines spanning IT/Systems Management, Project Management (IT and non-IT), HR & Admin Management, Process & Workflow Streamlining as well as Legal and Operational Integration arising from various Mergers & Acquisitions (M&A).

Prior to her retirement from MSIG Insurance (Malaysia) Bhd in December 2009, Ms. Gan was a member of the Senior Management Team (SMT) overseeing - at various periods - Information Technology (IT), Information Security, HR & Admin, Service Quality as well as centralised policy administration. During her service with the company, Ms. Gan was also the Integration Manager managing the operational integration during the MSI-Aviva (MSIG) merger as well as the CU-GA (Aviva) merger.

Immediately after retirement, Ms. Gan returned to MSIG Insurance (Malaysia) Bhd in February 2010 as Special Project Manager to support the legal, business transfer and operational integration of Hong Leong general business into MSIG Insurance (Malaysia) Bhd operations. Following that, in January 2012, Ms. Gan joined MSIG Insurance (Singapore) Pte. Ltd. for a year to initiate the system migration to the new regional IT system for the Singapore insurance operations.

From January 2016 until July 2018, Ms. Gan joined the Regional Holding Company (RHC) in Singapore as Head of ICT/Consulting Advisor to the Regional CEO to manage the regional centralised IT services, system development and infrastructural services/support to country IT in Singapore, Malaysia, Indonesia, Vietnam, Hong Kong, Thailand, Philippines and Australia. During her stint with RHC, Ms. Gan spearheaded the regional cybersecurity initiative as well as the updated regional IT Strategy focusing on new technologies in the digital arena.

Presently, Ms. Gan serves as Chairman of the Board Compliance & Risk Management Committee and is a member of the Board Audit, Nominations and Remuneration Committees of the Company.

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors (continued)

Mr. Kenichi Shoji

(Independent Non-Executive Director)

Mr. Kenichi Shoji joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 21 October 2022 and is currently the Managing Director of Toyota Tsusho (Malaysia) Sdn Bhd. Prior to this, he was the General Manager at the Global Parts Department of Toyota Tsusho Corporation since 2018.

A graduate in law from Kwansai Gakuin University Japan, Mr. Shoji has more than 28 years of working experience in the automotive parts during his tenure with Toyota Tsusho Corporation. He also has experience in overseas posting where he worked at Toyota Tsusho America Inc. from 2001 to 2007, Toyota Tsusho Corporation from 2007 to 2013 as Group Leader, Asia Oceania Group, Global Parts Department and as Marketing Director, Global Parts & Logistic Division in PT Toyota Tsusho Indonesia from 2013 to 2018.

Presently, Mr. Shoji serves as Chairman of the Board Remuneration Committee and is a member of the Audit and Compliance & Risk Management Committees of the Company.

Ms. Loh Guat Lan

(Non-Independent Non-Executive Director)

Ms. Loh Guat Lan joined the Board of MSIG Insurance (Malaysia) Bhd ("MSIG") as a Non-Independent Non-Executive Director on 1 October 2010 and is a member of the Board Investment Committee of MSIG. She is currently the Group Managing Director/Chief Executive Officer ("GMD/CEO") of Hong Leong Assurance ("HLA"), a subsidiary of HLA Holdings Sdn Bhd ("HLAH"), wholly-owned by Hong Leong Financial Group Berhad (HLFG), the financial services arm of Hong Leong Group Malaysia. She was appointed to this position on 1 September 2009.

Ms. Loh holds a Bachelor of Science in Human Development and is a Fellow Member of Life Management Institute (FLMI) as well as Associate, Customer Service of Life Office Management Association (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms. Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of HLA and prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms. Loh is the Chairman of HL Assurance Pte Ltd, Singapore, and a Director of HLAH; Hong Leong MSIG Takaful Berhad; Hong Leong Insurance (Asia) Limited, Hong Kong; L.I.A.M. Holding Sdn Bhd and L.I.A.M. Property Sdn Bhd. She is also the President of the Life Insurance Association of Malaysia (LIAM), a Director of The Malaysian Insurance Institute (MII) and a Board Member of the Financial Industry Collective Outreach (FINCO).

Presently, she is a member of the Board Investment Committee of the Company.

Mr. Alan John Wilson

(Executive Director)

Mr. Alan Wilson is currently a Director of Singapore-based MSIG Asia Pte. Ltd. as well as being a Director of seven other related entities across Asia, including Chairman of MSIG Berhad.

He was the Chief Executive Officer of Singapore-based MSIG Asia Pte. Ltd. (formerly known as MSIG Holdings (Asia) Pte. Ltd.) for 14 years up until 2022. During this time, he also served as the Chairman or Director on the boards (or equivalent) of 19 MSIG-related entities around the region. Under Mr. Wilson's leadership, MSIG expanded its network to 14 Asian markets.

He was honoured to be appointed as the first foreign Executive Officer of Mitsui Sumitomo Insurance Co Ltd (Japan) in April 2015 and became Deputy Head of its International Business Department in January 2020. Mr. Wilson has a sound executive management track record with over 40 years of experience in the insurance industry.

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors (continued)

Mr. Alan John Wilson (continued)

(Executive Director)

Prior to joining MSIG Asia, Mr. Wilson was the Asia CEO at Allianz from 1999 where he assumed overall responsibility for managing over 20 general, life and health insurance operations across 14 countries, and later served on several boards for Allianz and for other groups such as Parkway in Asia. Mr. Wilson joined Allianz from Guardian Royal Exchange Assurance Group where he was Asia Managing Director. Over the course of his 21 years there, he held various senior positions with progressive responsibilities, where he managed general and life insurance businesses in 11 countries.

A British national and a Singaporean Permanent Resident, Mr. Wilson has lived and worked in Asia since 1982 in various places, including Hong Kong, Indonesia, Pakistan and Singapore.

Mr. Wilson is a Fellow of the Chartered Insurance Institute (UK) and has a BA (Hons) in Economics and Economic History from the University of Liverpool, England.

Presently, Mr. Wilson serves as a member of the Board Nominations Committee.

Dato' Mohd. Sallehuddin bin Othman

(Chairman/Non-Independent Non-Executive Director) - Retired

Dato' Mohd. Sallehuddin bin Othman joined MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director in 2005 and was appointed as the Chairman of the Board in March 2014. He holds professional accounting qualifications in Association of Chartered and Certified Accountants ("ACCA") and Chartered Institute of Management Accountants ("CIMA"), United Kingdom. He also graduated with a Master's Degree from City University, London in 1975. He is registered as a Chartered Accountant with Malaysia Institute of Accountants in 1981 and became a Fellow member of ACCA in 1983.

Dato' Mohd. Sallehuddin bin Othman began his career with brief stints in various audit firms in Malaysia and United Kingdom, a statutory body and a major government-linked company in Malaysia before joining the Asian Development Bank based in Manila, Philippines from 1981 to 1986.

Upon returning to Malaysia in 1986, he joined Permodalan Nasional Berhad in senior positions doing corporate services and human resources until 1994. From mid-1994 to 2000, Dato' Mohd. Sallehuddin was with UMW Holdings Berhad initially as Executive Director and subsequently as Group Managing Director. From 2001 until his retirement in 2006, he served as Group Managing Director of Malaysian Industrial Finance Berhad.

Post retirement, Dato' Mohd. Sallehuddin has served as an Independent Non-Executive Director of a few companies including a foreign Islamic bank. He is currently an Independent Director of a number of companies, notably MUFG Bank (Malaysia) Berhad, and a Public Interest Director in Federation of Investment Managers Malaysia, recognised by the Securities Commission Malaysia as a self-regulatory organisation.

Dato' Mohd. Sallehuddin retired from the Board of Directors of MSIG Insurance (Malaysia) Bhd on 17 April 2022.

Mr. Iichiro Sadamoto

(Independent Non-Executive Director) - Resigned

Mr. Iichiro Sadamoto joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 1 October 2017. At that time, he was the Managing Director of Toyota Tsusho (Malaysia) Sdn Bhd. Prior to that, he had been the Group Leader of Parts Assembly Department of Toyota Tsusho Corporation since 2013.

A law graduate of Hiroshima University Japan, Mr. Sadamoto has more than 26 years of working experience in the automotive parts and parts assembly during his tenure in Toyota Tsusho Corporation. His previous work experience includes overseas postings where he worked at the Manila Branch, Philippines from 2002 to 2003 and Toyota Tsusho (Thailand) Co., Ltd from 2003 to 2007. He was also the President of TT Assembly (Thailand) Co., Ltd and TT Assembly East Co., Ltd from 2010 to 2013.

Mr. Sadamoto resigned from the Board of Directors of MSIG Insurance (Malaysia) Bhd on 29 April 2022.

Corporate governance disclosure (continued)

Board of Directors (continued)

Directors' trainings

The training provided to the Directors are as follows:

- FIDE FORUM: MyFintech Week Masterclasses
- FIDE FORUM Dialogue: Licensing Framework for Digital Insurers and Takaful Operators
- FIDE FORUM Dialogue: Climate Risk Management and Scenario Analysis
- ICLIF: Beyond Box-Ticking: Essentials for Effective Remuneration Committees
- Nomura Asset Management Malaysia: Delivering Together Through Diversity & Inclusion
- ICLIF: Sustainability and Its Impact on Organisations: What Directors Need to Know
- Joint Committee on Climate Change Sub-Committee 4 JUST Series 2: The Power of ESG Data
- FIDE FORUM Meta Finance: The Next Frontier of the Global Economy
- MSIG Asia Regional Audit Committee Roundtable 2022
- KPMG Board Leadership Centre Webinar - 2022 Board and Audit Committee Priorities
- ICLIF: Materiality: Determining ESG Topics That Matter
- ICLIF: Assessing Your Organisational Culture
- FIDE FORUM Leadership Perspectives Forum on Board Effectiveness in conjunction with BEE Launch
- ICLIF: FIDE Elective: Risk Management in Technology (RMiT): Sharing of Insights and Discussion on the Strategic Aspects of IT Risks
- MSIG Asia, Conservation International Asia-Pacific (CIAP) & Malaysian Nature Society Webinar
- Joint Committee on Climate Change JUST Series (JC3 Upskilling Sustainability Training) Series - FY2022 - Implementation of TCFD
- FIDE FORUM Engagement session with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms
- FIDE FORUM Board Effectiveness Evaluation - Post-launch Workshop (Session 2)
- PIDM-FIDE FORUM: Recovery and Resolution Planning Sharing Session
- ICLIF: Beyond Box-Ticking: Essentials for Effective Remuneration Committees
- PNB Knowledge Forum (III) 2022
- Audit Oversight Board Securities Commission Malaysia: Conversation with Audit Committees
- ICLIF: The Emerging Trends, Threats and Risks to the Financial Services Industry - Managing Global Risk, Investment and Payment System
- Stewardship Asia Event Steward Leadership Summit: Creating a Collective Better Future
- MSIG In-House Directors' Training

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees

(A) The roles and responsibilities of the Board are as follows:

- (i) Approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile.
- (ii) Oversee the selection, performance, remuneration and succession plans of the 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.
- (iii) 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.
- (iv) Promote, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.
- (v) Promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies.
- (vi) 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.
- (vii) Promote timely and effective communication between the Company and Bank Negara Malaysia on matters affecting or that may affect the safety and soundness of the Company.

(B) The roles and responsibilities of the Board Committees are as follows:

Board Audit Committee

The Board Audit Committee's primary role is to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company and that the Company's system of internal controls, risk management and governance are adequate. In addition, it provides oversight over the internal and external auditors' to foster quality audits. In fulfilling this role, the Board Audit Committee:

- (i) Reviews and approves the annual audit plan.
- (ii) Reviews and approves the Internal Audit Charter and budget of the Internal Audit Department, and ensures that the Internal Audit Department is distinct and has the appropriate status within the overall Company structure for the internal auditors to achieve their audit objectives.
- (iii) Reviews key audit reports and ensures that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other observations identified by the Internal Audit, the external auditors and other control functions.
- (iv) Notes any significant disagreements between the Chief Internal Auditor and/or Head of Internal Audit and the rest of the Senior Management, irrespective of whether these have been resolved, in order to identify any impact that the disagreements may have on the audit process or findings.
- (v) Advises on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and/or Head of Internal Audit and evaluates their respective performance.
- (vi) Establishes a mechanism to assess the performance and effectiveness of the internal audit function.
- (vii) Makes recommendations to the Board on the appointment and remuneration, or removal of the external auditors.
- (viii) Monitors and assesses the independence of the external auditors including approving the provision of non-audit services by the external auditors.
- (ix) Monitors and assesses the effectiveness of the external audit, including by meeting with the external auditors without the presence of Senior Management at least once annually.

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees (continued)

Board Audit Committee (continued)

- (x) Maintains regular, timely, open and honest communication with the external auditors, and requires the external auditors to report to the Board Audit Committee on significant matters.
- (xi) Reviews and updates the Board on all related party transactions.
- (xii) Reviews the accuracy and adequacy of the Chairman's statement in the Directors' report, corporate governance disclosures, and interim financial reports.
- (xiii) Monitors compliance with the Board's conflicts of interest policy.
- (xiv) Reviews third-party opinions on the design and effectiveness of the Company's internal control framework.
- (xv) Provides oversight over the Company's Whistleblowing process.
- (xvi) Other functions as may be determined by the Board.

Board Nominations Committee

- (i) Ensuring a director fulfils all the minimum requirements of Financial Services Act, 2013 ("FSA 2013") and Bank Negara Malaysia ("BNM")'s Policy Document on Corporate Governance ("Corporate Governance") at the time of his appointment and on a continuing basis.
The minimum requirements, where applicable, are also extended to Chief Executive Officer, Senior Management and the Company Secretary.
- (ii) Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- (iii) Establish and regularly review succession plans for the Board to promote Board renewal, address any vacancies, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.
- (iv) Establish a rigorous process for the appointment and removal of directors. Such process must involve the assessment of candidates against the minimum requirements. Direct engagements between a candidate and the Nominations Committee are an important way to ascertain the suitability of each candidate for the Board.
- (v) Reviewing the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.
- (vi) Carrying out Annual Board Evaluations to objectively assess the performance and effectiveness of the Board, Board Committees and Individual Directors.
- (vii) Establishing a robust succession plan for Senior Management and clearly defined processes for:
 - the appointment and removal of the CEO and members of Senior Management and;
 - assessment of the candidates against the minimum requirements.

Board Remuneration Committee

- (i) Setting the Remuneration Policy and/or remuneration system for directors and the Company for the Board's approval. Such policy and/or system must be in line with the Company's business and risk strategies, culture and corporate values, with consideration to BNM's Policy Document on Corporate Governance and Principle 10 of Policy Document on Risk Governance.
- (ii) Recommending the remuneration for each director, member of Senior Management and other material risk takers annually for the Board's approval which must commensurate with the performance and contribution made to the Company in line with the approved Remuneration Policy and/or remuneration system.

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees (continued)

Board Compliance & Risk Management Committee

Compliance

- (i) Promoting a positive, open and strong compliance culture within the Company by ensuring overall compliance with legal, regulatory requirements and operational manuals as well as encouraging ethical conduct.
- (ii) Recommending to the Board the appointment, remuneration and dismissal of the Chief Compliance Officer (CCO) and ensuring that the CCO and Compliance Department are provided with appropriate standing, authority and independence, including adequate infrastructure, resources and systems are in place.
- (iii) Discussing and resolving compliance issues regularly and effectively. At least annually, evaluating the effectiveness of the Company's overall management of Compliance risk, having regard to the assessments of senior management and internal audit, as well as interactions with the CCO.
- (iv) Reviewing, approving and overseeing implementation of the Company's Compliance Policy, Regulations and Guidelines (PRG) including Compliance Program.
- (v) Reviewing periodic Compliance reports and new or revised laws & regulations, including Compliance Risk Assessment, Compliance Risk Profile, Risk Treatment Plan as well as disclosure in regard to compliance activities in the Company's Annual Report.
- (vi) Reviewing and providing direction on the Internal Control Program (ICP) activities.
- (vii) Reviewing, approving and overseeing implementation of MSIG Anti-Bribery and Corruption Policy Incorporating Adequate Procedures.

Risk Management

- (i) Reviewing the adequacy of Risk Management policy and framework to ensure effective implementation of Policies for Risk Governance.
- (ii) Recommending to the Board the appointment, remuneration and dismissal of the Chief Risk Officer (CRO) for Risk Management function and ensuring that the CRO and Risk Management Department are provided with sufficient stature, authority and independence in the Company including adequate infrastructure, resources and systems are in place.
- (iii) Reviewing periodic Company Risk Profile and Risk Monitoring Report, including disclosure in regard to Risk Management activities in the Company's Annual Report.
- (iv) Reviewing Internal Capital Adequacy Assessment Process (ICAAP) activities regularly.
- (v) Overseeing technology risk and effective implementation of Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF).
- (vi) Reviewing and approving Outsourcing Plan and activities.
- (vii) Overseeing climate-related risk management activities with respect to focus areas undertaken by MSIG Climate Change Taskforce.
- (viii) Reviewing risk activities and reports as required under relevant BNM Policy Documents.

To effect a focused attention on management of compliance and enterprise risk as prescribed by relevant BNM Policy Documents at the management level, the Board Compliance & Risk Management Committee is supported by the Compliance Committee and Enterprise Risk Management Committee comprising the Chief Executive Officer, Deputy Chief Executive Officer and Senior Management Team respectively.

Board Investment Committee

- (i) Review and advise on Investment strategies and policies with a view to optimise investment performance in line with MSIG's Investments Risk Appetite Statement.

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees (continued)

Board Investment Committee (continued)

- (ii) Review and monitor the Investment Assets Allocation within the risk and limit permitted under the Investment Policy, BNM Policy Documents and RBC Framework, at least on an annual basis.
- (iii) Review and approve the exposure limits for counterparties for deposit placements.
- (iv) Manage and monitor risks associated with investment activities with a view to strengthening the Capital Adequacy Ratio whilst optimising risk adjusted returns.
- (v) Ensure proper execution and monitoring of investments by having adequate internal controls for investment assets management, including approval of counterparty limits.
- (vi) Review and approve the Investment Plan.
- (vii) Set Performance Standards for external Fund Managers and review their actual performance on a regular basis.
- (viii) Review and approve the appointment/termination of external Fund Managers, including the Custodians for safekeeping of assets.
- (ix) Ensure compliance with the MSIG Malaysia's Investment Policy, BNM's requirements, as well as in compliance with legal, accounting, prudential and liquidity requirements.

Internal control framework

- The Company has an Internal Control Programme ("ICP") comprising of Company Level Control and Process Level Control Documentation to ensure Internal Controls on significant key risk areas in regard to Financial Reporting are adequately designed, documented and functioning effectively at all times.
- ICP is an annual exercise entailing review and update of the ICP documents of the Company's operational processes and controls that include compliance with the requirement of relevant laws and regulations.
- ICP is subject to independent Testing of Design and Operating Effectiveness on an annual basis for the evaluation on Internal Control Over Financial Reporting ("ICOFR") to provide assurance on reliability of Financial Reporting.
- The internal control requirement on the key risk areas and compliance with relevant laws and regulations has been embedded in the Company's new Business Process Management system.
- The Risk Management Independent Assessment focusing on the business units' risk management and governance is performed regularly.
- The Company's outsourcing arrangements are reviewed periodically to ensure compliance with the Outsourcing Policy Document issued by Bank Negara Malaysia and its effectiveness in managing the Company's outsourcing activities.
- Besides the framework for internal controls and procedures, the Company puts in place an organisation structure that clearly defines the segregation of roles, responsibilities and authority in the Company.

Internal Audit

The Company maintains an in-house Internal Audit function which assists the Board Audit Committee in discharging its duties and responsibilities, and provides an independent assessment of the adequacy, effectiveness and reliability of the risk management processes and system of internal controls through its review of key controls, processes and procedures.

The Internal Audit function has unrestricted access to the Board Audit Committee, and, to the Company's information and personnel. Internal Audit is responsible for reviewing the risk profile and developing a risk-based audit plan that will help to confirm and verify the existence and effectiveness of Management's system of internal controls and risk management. Internal Audit, through its reporting to the Board Audit Committee, presents the annual Internal Audit plan, and any amendments for approval.

Corporate governance disclosure (continued)

Internal Audit (continued)

The Internal Audit plan covers the audit of all major business units and operations within the Company such as governance, enterprise risk management, legal, compliance, marketing, underwriting, claims and information technology ("IT"). Internal Audit will also report to the Board Audit Committee if there are factors that adversely affect its independence, objectivity or effectiveness, material findings from audits, reviews or any investigations conducted.

MSIG adopts the practice that the Chief Internal Auditor ("CIA") and/or Head of Internal Audit reports directly to the Chairman of the Board Audit Committee and administratively to the Chief Executive Officer. The Board Audit Committee also meets with the CIA at least once a year without the presence of the Management. The appointment and dismissal of the CIA and/or Head of Internal Audit is to be approved by the Board Audit Committee and his or her annual performance appraisal is primarily performed by the Chairman of the Board Audit Committee.

To ensure that the internal audits are performed by competent professionals, Internal Audit employs experienced and qualified staff. The staff of the Internal Audit function hold relevant educational or professional qualifications. They are provided with continuing professional development in ensuring that their knowledge and skills remain current and relevant in order to enable them to discharge their roles and responsibilities effectively.

The CIA is a Fellow of the CPA Australia and she is also a member of the Malaysian branch of the Institute of Internal Auditors Inc. ("IIA"), which has its headquarters in the United States ("US"). The internal auditor involved in IT audits is a Certified Information System Auditor ("CISA") and a member of the Information System Audit and Control Association ("ISACA") in the US. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

The Internal Audit function adopts the International Standards for the Professional Practices of Internal Auditing ("Standards") as laid down in the International Professional Practices Framework ("IPPF") issued by the IIA. The Internal Audit function carries out its work according to the code of ethics and standards set by professional bodies, primarily consistent with the IPPF issued by the IIA. In compliance with the IIA Standards, an external quality assessment review ("QAR") of Internal Audit is conducted once every five years by a qualified, independent reviewer. The last external QAR of Internal Audit was completed in 2019 and it was assessed that the Internal Audit function is in conformance with the IIA Standards. Internal Audit has incorporated these Standards into its audit practices. The Standards set by the IIA cover requirements on:

- independence and objectivity;
- proficiency and due professional care;
- managing the internal audit activity;
- engagement planning;
- performing engagement;
- communicating results; and
- monitoring progress.

Where applicable, reference is also made to the standards and statements issued by the international accounting and auditing organisations.

Remuneration

Remuneration Policy

The Company adopts a fair and competitive Remuneration Policy where rewards commensurate with position responsibilities, individual performance of the job, and to avoid directors and employees from engaging in excessive or inappropriate risk taking.

It is also guided by equal opportunities principles and principles to balance risk and incentives associated with remuneration in order to ensure a sound and appropriate design and operation of the remuneration framework.

Corporate governance disclosure (continued)

Remuneration (continued)

Remuneration Policy (continued)

The Remuneration Policy ensures that employees are compensated at a level corresponding to the quality, roles and responsibilities, compliant with local laws and regulations. It sets out guiding principles of remuneration which covers basic concepts, subject positions, pay structure and other relevant matters which shall be approved and reviewed by the Board of Directors.

Employees will be appraised on their yearly performance using the Company's appraisal process and performance management system.

Remuneration for Directors, Senior Management Team, Other Material Risk Takers and any individuals that are defined as highly remunerated under the Company's guidelines with reference to Bank Negara Malaysia's Corporate Governance policy document will be reviewed annually and approved by the Board.

Employee whose work performance which may lead to serious legal, regulatory, disciplinary or internal breaches, will be subjected to reevaluation of the remuneration award through actions such as deferments, adjustments, claw backs where applicable depending on the employee's position and pay grade.

Scope of Remuneration Policy

The scope covers all permanent and contract staff.

The policy however excludes expatriates assigned to the Company, temporary and outsource staff.

For union staff, the Company shall abide by the terms and conditions in the Collective Agreement.

Risk Governance

In compliance with Bank Negara Malaysia Policy Document on Risk Governance, the Company has also incorporated the Principle 10 into its remuneration structure where executive remuneration is aligned with prudent-risk taking and appropriately adjusted for risks.

A guided performance management process is in place to ensure that the payments of variable remuneration are conducted in accordance with the Remuneration Policy.

Remuneration Structure

The Company's Remuneration Policy is limited to cash and benefits-in-kind which commensurate with the position of the officers. There are no shares and/or share-linked instruments, deferring or vesting as part of its remuneration framework.

The Company's remuneration structure takes into consideration the types of risks and long-term objectives of the Company. Level of remuneration is sourced from market data taking into consideration the Company's business structure, internal equity, pay practices and financial position of the Company to determine pay level for the roles and tasks of the jobs.

The pay structure is the reference point to establish salary, benefits and positions within the Company.

The remuneration for Chief Executive Officer, Executive and Non-Executive Directors and Senior Management for the financial year are disclosed in Note 28 and 29 to the financial statements.

Fixed Remuneration

The Company shall decide the average salary increment percentage to be paid out every year based on the Company's performance and external market references.

Annual salary reviews and increment will follow a consistent performance appraisal process using the Company's Performance Management System.

Corporate governance disclosure (continued)

Remuneration (continued)

Fixed Remuneration (continued)

To promote behaviours that are aligned to the Company's core values and achievement of objectives, recommendations for annual salary increments is based on the overall performance and competency scores of the employee.

Salary increments paid are subject to the Company's employment conditions and criteria.

Variable Remuneration

Variable pay is based on the achievement of the employee's personal objectives, the Company's overall achievements, roles, responsibilities and tasks.

The variable pay is designed and operated to take into consideration the following:

- Variable pay ratio to the total remuneration that will not trigger excessive or inappropriate risk-taking or the weight which is in line with the performance and financial position of the Company as well as existing and potential risks.
- Performance indicators that take into account both Company and employee's performance over the period which risk will be materialised.
- The Company's financial position at the point in time when the amount of variable pay is decided.

Performance Management System

The Company uses a comprehensive performance measurement framework that incorporates both financial and non-financial performance in determining the size and allocation of the variable remuneration under the Company's Short Term Incentive Plan ("STI").

The financial matrix links the STI to the profits, revenue and other performance measurements of the Company as a whole, and the contributions of the employee in deciding the quantum.

The non-financial matrix captures the performance of the qualitative aspects such as the compliance of Risk Management Policy, adherence to legal, regulatory and other ethical standards, customer's satisfaction, effectiveness and efficiency of support functions.

The overall assessment of the Individual is a combination of Individual Performance and Competencies. The overall scores will be given a weightage which falls into a structured performance band. This ensures the employees are appropriately assessed and compensated at the level corresponding to the performance.

For Unsatisfactory Performance, this would impact the salary/bonus of the affected employees and in certain circumstances the Company would not grant bonus or increase in salary.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the year are RM639,000.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Dato' Muthanna bin Abdullah

Director

.....
Mr. Lim Tiang Siew

Director

Kuala Lumpur,
Date: 22 March 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Assets				
Plant and equipment	3	11,547	11,547	13,218
Right-of-use assets	4	30,366	30,366	35,345
Investment property	5	113	113	118
Intangible assets	6	6,030	6,030	4,170
Goodwill	7	1,141,224	1,141,224	1,141,224
Available-for-sale financial assets	8	2,152,346	2,198,658	2,588,859
Deferred tax assets	9	20,575	20,575	15,573
Reinsurance assets	10	955,295	955,295	1,230,219
Loans and receivables, excluding insurance receivables	11	1,205,964	1,183,242	744,111
Insurance receivables	12	221,079	221,079	180,788
Deferred acquisition costs	13	80,631	80,631	73,003
Cash and cash equivalents	14	331,821	232,411	138,527
Total assets		6,156,991	6,081,171	6,165,155
Equity and liabilities				
Share capital	15	1,511,546	1,511,546	1,511,546
Reserves	16	1,650,359	1,650,359	1,579,568
Total equity		3,161,905	3,161,905	3,091,114
Insurance contract liabilities	17	2,613,945	2,613,945	2,721,239
Lease liabilities	18	31,548	31,548	36,265
Other financial liabilities	19	32,347	32,347	25,746
Insurance payables	20	114,802	114,802	166,712
Other payables	21	182,072	106,252	109,215
Tax payable		20,372	20,372	14,864
Total liabilities		2,995,086	2,919,266	3,074,041
Total equity and liabilities		6,156,991	6,081,171	6,165,155

The notes on pages 70 to 148 are an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Operating revenue	22	1,671,998	1,652,999	1,540,200
Gross written premiums	17.2	1,633,043	1,633,043	1,477,731
Change in unearned premiums provision		(70,028)	(70,028)	(31,004)
Gross earned premiums	17.2	1,563,015	1,563,015	1,446,727
Gross written premiums ceded to reinsurers	17.2	(316,569)	(316,569)	(343,965)
Change in unearned premiums provision		6,418	6,418	4,623
Premiums ceded to reinsurers	17.2	(310,151)	(310,151)	(339,342)
Net earned premiums		1,252,864	1,252,864	1,107,385
Investment income	23	108,983	89,984	93,473
Realised gains and losses	24	6,115	13,466	14,563
Fair value losses		(15,759)	(15,759)	(5,894)
Commission income	25	56,100	56,100	49,012
Other operating income	26	712	712	680
Other income		156,151	144,503	151,834
Gross claims paid	17.1	(960,718)	(960,718)	(563,948)
Claims ceded to reinsurers	17.1	408,358	408,358	111,900
Gross change in contract liabilities		177,322	177,322	(823,298)
Change in contract liabilities ceded to reinsurers		(281,342)	(281,342)	771,683
Net claims incurred	27	(656,380)	(656,380)	(503,663)
Commission expense	25	(184,134)	(184,134)	(166,178)
Other operating expense	26	(3,706)	(3,706)	(5,225)
Management expenses	28	(255,267)	(249,773)	(240,491)
Other expenses		(443,107)	(437,613)	(411,894)
Profit before tax		309,528	303,374	343,662
Tax expense	30	(73,189)	(73,189)	(63,615)
Profit for the year		236,339	230,185	280,047
Profit attributable to:				
Owners of the Company		230,185	230,185	280,047
Non-controlling interest		6,154	-	-
		236,339	230,185	280,047

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Net loss on fair value of available-for-sale financial assets	8	(38,888)	(34,391)	(52,985)
Tax effect	9	8,254	8,254	12,716
Other comprehensive income for the year, net of tax		(30,634)	(26,137)	(40,269)
Total comprehensive income for the year		205,705	204,048	239,778
Total comprehensive income attributable to:				
Owners of the Company		204,048	204,048	239,778
Non-controlling interest		1,657	-	-
		205,705	204,048	239,778
Basic earnings per share (sen)	31	69.1	69.1	84.1

The notes on pages 70 to 148 are an integral part of the financial statements.

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

	<i>/-----Attributable to owners of the Group and Company -----/</i>		<i>/-----Non-distributable-----/ Distributable</i>		
	Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000	
Group and Company					
At 1 January 2022	1,511,546	4,873	1,574,695	3,091,114	
Fair value of available-for-sale financial assets, net of tax	-	(26,137)	-	(26,137)	
Total other comprehensive loss for the year	-	(26,137)	-	(26,137)	
Profit for the year	-	-	230,185	230,185	
Total comprehensive income for the year	-	(26,137)	230,185	204,048	
Dividends paid during the year	-	-	(133,257)	(133,257)	32
At 31 December 2022	1,511,546	(21,264)	1,671,623	3,161,905	
	Note 15	Note 16.1	Note 16.2		
At 1 January 2021	1,511,546	45,142	1,561,162	3,117,850	
Fair value of available-for-sale financial assets, net of tax	-	(40,269)	-	(40,269)	
Total other comprehensive loss for the year	-	(40,269)	-	(40,269)	
Profit for the year	-	-	280,047	280,047	
Total comprehensive income for the year	-	(40,269)	280,047	239,778	
Dividends paid during the year	-	-	(266,514)	(266,514)	32
At 31 December 2021	1,511,546	4,873	1,574,695	3,091,114	
	Note 15	Note 16.1	Note 16.2		

The notes on pages 70 to 148 are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Cash flows from operating activities				
Profit before tax		309,528	303,374	343,662
<i>Adjustments for:</i>				
Amortisation of intangible assets	6	2,182	2,182	2,846
Depreciation of plant and equipment	3	4,746	4,746	4,894
Depreciation of right-of-use assets	4	9,043	9,043	9,937
Depreciation of investment property	5	5	5	5
Investment income	23	(108,983)	(89,984)	(93,473)
Realised gains recorded in profit or loss	24	(6,115)	(13,466)	(14,563)
Fair value loss recorded in profit or loss		15,758	15,758	5,894
Purchase of available-for-sale financial assets	8	(733,823)	(142,954)	(675,819)
Proceeds from disposal of available-for-sale financial assets		1,121,761	496,428	520,934
(Reversal)/allowance for impairment loss on insurance receivables		(1,111)	(1,111)	388
Reversal of impairment loss on loans and receivables		-	-	(1)
Bad debts written off		870	870	24
Interest on lease liabilities		1,873	1,873	2,211
Retirement gratuities charged		382	382	429
Operating gain before changes in working capital		616,116	587,146	107,368
Change in reinsurance assets		274,924	274,924	(776,306)
Change in insurance receivables		(40,050)	(40,050)	(10,394)
Change in deferred acquisition costs		(7,628)	(7,628)	(3,487)
Change in loans and receivables		(461,853)	(436,318)	(44,034)
Change in insurance contract liabilities		(107,294)	(107,294)	854,302
Change in other financial liabilities		6,601	6,601	714
Change in insurance payables		(51,910)	(51,910)	57,354
Change in other payables		72,857	(3,345)	(1,465)
Cash generated from operating activities		301,763	222,126	184,052
Dividend income received		77,946	62,297	75,930
Interest income received		31,037	24,874	17,762
Income tax paid		(64,429)	(64,429)	(72,412)
Income tax refund		-	-	-
Net cash flows from operating activities		346,317	244,868	205,332

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

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Cash flows from investing activities				
Proceeds from disposal of plant and equipment		110	110	720
Purchase of intangible assets	6	(4,042)	(4,042)	(1,347)
Purchase of plant and equipment	3	(3,141)	(3,141)	(5,996)
Proceeds from creation of units		125,660	-	-
Payment for cancellation of units		(74,389)	-	-
Payment for distribution		(53,310)	-	-
Net cash flows used in investing activities		(9,112)	(7,073)	(6,623)
Cash flows from financing activities				
Dividend paid	32	(133,257)	(133,257)	(266,514)
Payment of lease liabilities	18.2	(10,654)	(10,654)	(10,588)
Net cash flows used in financing activities		(143,911)	(143,911)	(277,102)
Net increase/(decrease) in cash and cash equivalents		193,294	93,884	(78,393)
Cash and cash equivalents at beginning of year		138,527	138,527	216,920
Cash and cash equivalents at end of year	14	331,821	232,411	138,527

The notes on pages 70 to 148 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MSIG Insurance (Malaysia) Bhd is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office

Level 12, Menara Hap Seng 2, Plaza Hap Seng,
No.1, Jalan P.Ramlee,
50250 Kuala Lumpur.

Principal place of business

Level 15, Menara Hap Seng 2, Plaza Hap Seng,
No.1, Jalan P.Ramlee,
50250 Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its investment in controlled structured entities as disclosed in Note 8(a) (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Group as at 31 December 2022 do not include other entities.

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding companies are Mitsui Sumitomo Insurance Co., Ltd. and MS&AD Insurance Group Holdings, Inc., respectively. Both companies are incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors on 22 March 2023.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), the requirements of the Companies Act, 2016 and the Financial Services Act, 2013 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- MFRS 9, *Financial Instruments*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:

MFRS 17, Insurance Contracts

The Group and the Company will apply MFRS 17 for the first time on 1 January 2023, replacing MFRS 4. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Group's and on the Company's financial statements in the period of initial application.

The Group and the Company have assessed the estimated impact that the initial application of MFRS 17 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) is estimated to increase the Group's and the Company's total equity as at 1 January 2022.

The Group and the Company will restate comparative information on adoption of MFRS 17.

The assessment is preliminary because there are transition work that are pending finalisation. The actual impact of adopting MFRS 17 on 1 January 2023 and 2022 may change because:

- the Group and the Company are continuing to refine the new accounting processes and internal controls required for applying MFRS 17;
- although parallel runs were carried out in 2022, the new systems and associated controls developed have not been operational for an extended period;
- the Group and the Company have not finalised the testing and assessment of controls over its new IT systems and changes; and
- the new accounting policies, assumptions and estimation methods adopted are subject to change until the Group and the Company finalise its first full-year financial statements for 2023 that include the date of initial application.

(i) Identifying contracts in the scope of MFRS 17

MFRS 17 establishes principle for the recognition, measurement, presentation and disclosure of insurance contract and reinsurance contracts.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

(i) Identifying contracts in the scope of MFRS 17 (continued)

With identifying contracts in the scope of MFRS 17, in some cases the Group and the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. The Group and the Company do not expect significant changes for contracts that fall in the scope of MFRS 17 against the current MFRS 4.

(ii) Level of aggregation

Under MFRS 17, insurance and reinsurance contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by years of issuance) and groups of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for including in an existing group, it forms a new group to which future contracts may be added. Reinsurance contracts are grouped on a similar basis of the underlying insurance contracts.

The level of aggregation requirements of MFRS 17 limits the offsetting of gains on groups of profitable contracts against losses on group of onerous contracts, which are recognised immediately.

Compared with the level at which the liability adequacy test is performed under MFRS 4 (i.e. portfolio of contracts level), the level of aggregation under MFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

(iii) Contract boundaries

Under MFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group and the Company. Compared with the current accounting, the Group and the Company expect that for certain contracts that MFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the “coverage period”, with is relevant when applying a number of requirements in MFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group and the Company can compel the policyholder to pay the premiums or in which the Group and the Company have a substantive obligation to provide services. A substantive obligation to provide insurance contract services ends when:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

(iii) *Contract boundaries* (continued)

Insurance contracts (continued)

- the Group and the Company have the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the Group and the Company have the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group and the Company are compelled to pay amount to the reinsurers or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

(iv) *Measurement – Premium allocation approach (“PAA”)*

The PAA is an optional simplified measurement model in MFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Group and the Company expect that it will apply the PAA to all contracts because the following criteria are expected to be met at inception.

- *Insurance contracts and loss-occurring reinsurance contracts* – The coverage period of each contract in the Group and the Company are one year or less.
- *Longer term insurance contract and risk-attaching reinsurance contract* – The Group and the Company reasonably expect that the resulting measurement of the liability/asset of the remaining coverage would not differ materially from the results of applying the requirements for the General Measurement Model.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premium received on initial recognition minus any insurance acquisition cash flows at that date. The Group and the Company will elect to defer insurance acquisition cash flows by allocating to groups of contracts using systematic and rational methods.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premium received less insurance acquisition cash flows, increased by the amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period and decreased by the amount recognised as insurance revenue for services provided.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group and the Company will recognise a loss in profit and loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

(iv) Measurement – Premium allocation approach (“PAA”) (continued)

The Group and the Company will recognise the liability for incurred claims of a group of contract at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Group and the Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

(v) Significant judgements and estimates

Discount rates

All cash flows are discounted using risk-free yield curve adjusted to reflect the characteristics of the cash flows of the insurance contracts. The Group and the Company generally determine the risk-free rates using Government bond risk-free yield curve.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a bootstrapping technique.

The Group and the Company’s risk adjustments for non-financial risk are determined using a confidence level technique.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group and the Company apply the technique both gross and net of reinsurance and derive the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Group and the Company estimate the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

(vi) Presentation and disclosure

MFRS 17 will significantly change how insurance and reinsurance contracts are presented and disclosed in the Group and the Company’s financial statements.

Under MFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statements of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts will also be presented in the same line item as the related portfolios of contracts.

Under MFRS 17, amounts recognised in the statements of profit or loss and other comprehensive income (“OCI”) are disaggregated into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

(vi) *Presentation and disclosure* (continued)

Insurance service result

Insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on either the expected timing of incurred insurance service expenses or the passage of time.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service results.

Investment components will not be included in insurance revenue and insurance service expenses under MFRS 17. As a result, the Group and the Company expect a reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Group and the Company will identify the investment component of a contract by determining the amount that it would be required to repay the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately, because the Group and the Company will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service results.

The Group and the Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Insurance finance income and expenses

Under MFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses.

The Group and the Company will choose to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts.

Amounts presented in OCI are accumulated in the insurance finance reserve. If the Group and the Company derecognise a contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract are reclassified to profit or loss as a reclassification adjustment.

Disclosure

MFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected contractual service margin ("CSM") emergence pattern (if applicable), as well as disclosures about significant judgments made when applying MFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts. Disclosures will generally be made at a more granular level than under MFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

(vii) Transition

Changes in accounting policies resulting from the adoption of MFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Group and the Company:

- determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition.
- insurance contracts originated by the Group and the Company that are eligible for the PAA, the Group and the Company have concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for insurance contracts issued by the Group and the Company.
- identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if MFRS 17 had always applied (except that a retrospective impairment test has not been performed); and
- derecognised any existing balances that would not exist if MFRS 17 had always applied; and recognised any resulting net difference in equity.

MFRS 9, Financial Instruments

MFRS 9, replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group and the Company have met the relevant criteria and have applied the temporary exemption from MFRS 9 for annual periods before 1 January 2023. Consequently, the Group will apply MFRS 9 for the first time on 1 January 2023.

(i) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments (continued)*

(i) *Classification of financial assets (continued)*

Based on the assessment performed, the financial assets held by the Group and the Company as at 31 December 2022 will be reclassified to the following classifications:

Group	2022 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
Financial assets			
Equity securities	151,915	AFS	FVTPL
Unquoted equity security	602	AFS	FVTPL
Unit Trusts	248,041	AFS	FVTPL
Corporate and government bonds	1,687,784	AFS	FVTPL
Collective Investment Scheme	64,004	AFS	FVTPL
Loans and receivables, excluding insurance receivables	1,205,964	L&R	AC
Cash and cash equivalents	331,821	L&R	AC
Company	2022 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
Financial assets			
Equity securities	151,915	AFS	FVTPL
Unquoted equity security	602	AFS	FVTPL
Unit Trusts	248,041	AFS	FVTPL
Controlled Structured Entities	1,798,100	AFS	FVTPL
Loans and receivables, excluding insurance receivables	1,183,242	L&R	AC
Cash and cash equivalents	232,411	L&R	AC

Consequently, for financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss for financial assets designated as measured at FVTPL. For financial assets measured at FVOCI, all fair value gains and losses will be reported in Other Comprehensive Income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for the financial assets.

(ii) *Impairment of financial assets*

MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward-looking “expected credit loss” (“ECL”) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the financial assets that are not measured at FVTPL.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments (continued)*

(ii) *Impairment of financial assets (continued)*

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

- (i) Stage 1: 12-month ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.
- (ii) Stage 2: Lifetime ECL – Non-credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.
- (iii) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

Credit impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets measured are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as default or past-due event;
- The restructuring of an amount due to the Group and the Company on terms that the Group and the Company would not otherwise consider;
- The debtor entering bankruptcy or other financial reorganisation becoming probable; or
- The disappearance of an active market for a security because of financial difficulties.

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for loans and receivables (excluding insurance receivables). The expected loss allowance is based on provisional matrix with the usage of forward-looking information in determining of ECL, including the use of macroeconomic information.

The calculation of ECL requires the modelling of three parameters that define:

- *Exposure at Default ("EAD")*: The Group's and the Company's gross credit exposure to the counterparty at the time of default;
- *Probability of Default ("PD")*: The likelihood of the counterparty defaulting on its contractual obligation to the Group and the Company; and
- *Loss Given Default ("LGD")*: The amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default.

The Group and the Company have estimated that the application of MFRS 9 impairment requirements at 1 January 2023 will not result in significant impairment losses for its loans and receivables.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments (continued)*

(iii) *Classification of financial liabilities*

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company have not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities as at 1 January 2023.

(iv) *Disclosures*

MFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

(v) *Transition*

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:

- i. The Group and the Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2023.
- ii. The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments (continued)*

(vi) *Estimated impact of the adoption of MFRS 9*

The estimated impact of the adoption of MFRS 9 on the Group's and the Company's equity as at 1 January 2023 disclosed below is based on the assessments undertaken to date and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group and the Company in the future.

	As reported at 31 December 2022 RM'000	Estimated adjustments due to adoption of MFRS 9 RM'000	Estimated adjusted opening balance at 1 January 2023 RM'000
Group and Company Statement of Financial Position Equity			
Fair value reserves	(21,264)	21,264	-
Retained earnings	1,671,623	(21,264)	1,650,359

The total estimated adjustment (net of tax) to the opening balance of the Group and of the Company's equity at 1 January 2023 is RM21,264,000, made up of the reversal of fair value reserves due to reclassification of financial assets from AFS to FVTPL.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in Note 2(h)(ii)(b) to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(i)(iii) and 7 – Valuation of goodwill
- Note 2(p) and 2(u) – Valuation of insurance contract liabilities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of controlled structured entities are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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. Potential voting rights are considered when assessing the control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect investee's returns.

(ii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on retranslation are recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gains or losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and are recognised within "realised gains and losses" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--------------------------|-----------|
| • Office equipment | 5 years |
| • Furniture and fittings | 6-7 years |
| • Computers | 5 years |
| • Motor vehicles | 5 years |

Depreciable amount is determined after deducting the residual value.

Depreciation method, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

2. Significant accounting policies (continued)

(d) Leases (continued)

(i) Definition of a lease (continued)

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(d) Leases (continued)

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(e) Intangible assets

Intangible assets comprised customised software, desktop applications and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Cost includes expenditures that are directly attributable to acquisition of the assets such as licences, development, major enhancement, technical knowledge, design and implementation of new processes or systems etc. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation.

All intangible assets are amortised from the date they are available for use over the useful economic life. The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The useful lives of customised software, desktop applications and licenses are considered to be finite because customised software, desktop application and licenses are susceptible to technology or commercial obsolescence and subject to certain expected capacity and usage beyond which the performance may not be at the optimum level.

The acquired customised software, desktop applications and licenses are amortised using the straight-line method over their estimated useful lives of 5 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at the end of each reporting date.

(f) Investment property

Investment property carried at cost

Investment property is property which is owned or held under a leasehold interest to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment property is initially and subsequently measured at cost and is accounted for similarly to plant and equipment.

2. Significant accounting policies (continued)

(f) Investment property (continued)

Investment property carried at cost (continued)

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. The goodwill arose from the acquisition of general insurance businesses in 2006 and 2010.

Goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the business purchased.

Goodwill is measured at cost and is not amortised. Goodwill is allocated to cash-generating units or a group of cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 2(i)(iii)).

(h) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market and other receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale ("AFS") financial assets

Available-for-sale category comprises investment in equity, debt instruments, unit trust and controlled structured entities that are not held for trading.

Controlled structured entities are in respect of investee funds that the Company invested in and has control over these investee funds. The Company is deemed to control these investee funds as it is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities. Accordingly, the controlled structured entities are consolidated by the Group and the underlying assets held by these entities are disclosed in Note 8(a) to the financial statements.

2. Significant accounting policies (continued)

(h) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Available-for-sale ("AFS") financial assets (continued)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items, and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(c) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Group and the 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 costs. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(i)(ii). Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(h)(iii), have been met.

All financial assets are subject to review for impairment (see Note 2(i)).

Financial liabilities

All financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all risks and rewards of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(i)(ii)) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and 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 a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables that are individually assessed for impairment, is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

Insurance receivables that are individually significant shall be tested for impairment individually. Insurance receivables that are not individually significant shall be tested for impairment collectively as a member of portfolio of assets with similar credit risk characteristics collective assessment.

If it is determined that no objective evidence of impairment exists for an insurance receivable that has been individually assessed (whether individually significant or not), insurance receivable should subsequently be included within a group of financial assets with similar credit risk characteristics and assessed collectively for impairment as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Insurance receivables (continued)

If, in a subsequent period, the fair value of insurance receivables 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, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iii) Other assets

The carrying amounts of other assets (except for deferred tax asset and investment property) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group and the Company in the arrangement of its short-term commitments.

(l) 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) have 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 it has 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 expired.

(m) Reinsurance

Reinsurance enables an insurer to evaluate and transfer exposures to risks that cannot be successfully managed within insurers resources.

The Group and the Company may cede insurance risk in the normal course of business for some of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers on ceded business 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.

The risk transfer (ceded reinsurance) does not relieve the Group and the Company from its obligations to policyholders. The primary direct contract is between Company and 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.

The Group and the Company also assume reinsurance risk from other insurers in the normal course of business 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 contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired 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. Significant accounting policies (continued)

(n) Commission expense

Gross commission expense, which are cost directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred or deferred where appropriate as set out in Note 2(o).

(o) General insurance underwriting results

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

Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period except for inward treaty reinsurance premiums which are recognised on the basis of periodic advices/accounts received from ceding insurers.

Insurance contract liabilities

These liabilities comprise premium liabilities and claims liabilities.

Premium liabilities

Premium liabilities are the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation ("PRAD").

Unearned Premium Reserves

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

In determining the UPR at the end of the reporting date, the method that most accurately reflects the actual unearned premium is used and is as follows:

Annual policies

- (i) 25% method for marine cargo, aviation cargo and transit business.
- (ii) 1/24th method for all other classes of Malaysian general policies and overseas inward business.

The UPR calculation is adjusted for additional UPR in respect of premiums ceded to overseas reinsurers as required under the guidelines issued by Bank Negara Malaysia.

Non-annual policies

Premiums are apportioned evenly over the period the policy is on risk.

Unexpired Risk Reserves

At each reporting date, the Group and the Company review its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and expenses over unearned premiums. The best estimate of URR is calculated based on the projected claims cost from the unexpired period, indirect claims handling expenses, future maintenance expenses in handling the run-off of unexpired policies and a provision for risk margin.

If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the financial statements by setting up a provision for liability adequacy.

2. Significant accounting policies (continued)

(o) General insurance underwriting results (continued)

Claim liabilities

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of reporting period. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Acquisition costs and deferred acquisition cost ("DAC")

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

Those 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.

Subsequent to initial recognition, these costs are amortised/allocated to the periods according to the original policies which give rise to income. DAC is incorporated as part of the computation to derive at UPR which is subject to liability adequacy test for each accounting period. Guidelines are prescribed in the RBC Framework.

(p) General insurance contract liabilities

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

These liabilities comprise outstanding claims provision and provision for unearned premiums.

Estimating the outstanding claims provision involves projection of the Group's and of the Company's future claims experience based on current and historical claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Group and the Company review its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and DAC over unearned premiums. The best estimate of URR is calculated based on the projected claims cost from the unexpired period, indirect claims handling expenses, future maintenance expenses in handling the run-off of unexpired policies and a provision for risk margin. If this estimate shows that the carrying amount of the unearned premiums less related DAC is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

2. Significant accounting policies (continued)

(q) Tax expense

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liability is recognised for all taxable temporary differences. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Other income recognition

(i) Interest income

Interest income from securities with fixed or determinable payment and fixed maturity are recognised using the effective interest rate method.

Interest income on loans and other interest-bearing investments are recognised on an accrual basis except where a loan is considered non-performing i.e. where repayments are in arrears for more than six (6) months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

(ii) Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six (6) months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as "revenue".

2. Significant accounting policies (continued)

(s) Other income recognition (continued)

(iii) Dividend income

Dividend income represents gross dividends from quoted and unquoted investments and is recognised in profit or loss when the Group's and Company's right to receive payment is established, which in the case of quoted securities, is the ex-dividend date.

(t) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's and the Company's contribution to statutory pension funds is charged to profit or loss in the year to which they relate. Once the contribution has been paid, the Group and the Company have no further payment obligations.

(u) Valuation of general insurance contract liabilities

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

It can take a significant period of time before the ultimate claims costs can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Expected Claims Ratio, Chain Ladder, Payment Per Claim Incurred and Bornhuetter-Ferguson methods.

For older accident periods, the Group and the Company have mainly used the incurred and paid Chain Ladder method in establishing the best estimate of the claim liability. This method calculates the ratios of claim development using historical data, and these ratios are then used to project further development in the data. Since this approach takes into account the actual claim information, they are generally simple to apply.

For more recent accident periods where there is little credible data, more reliance is placed on the Expected Claims Ratio method and the Bornhuetter-Ferguson method. The Expected Claims Ratio method is simply the product of the initial expected loss ratio assumption and premium exposure (i.e. net earned premium) across each accident period. The ultimate cost of claims based on this method places no reliance on the emergence of actual claims data. The projected liabilities using the Bornhuetter-Ferguson method is essentially a blending of the estimates from the Chain Ladder method and the Expected Claims Ratio method, where the credibility for blending is based on the expected development.

For accident periods from Motor-Act class which were affected by the Proactive Claims Management initiative which started in November 2013, we have relied on payment based method namely, Payment per Claims Incurred method to estimate the claim liabilities as the payments experience is least affected by Proactive Claims Management.

For the recent accident periods from Motor-Act class which were affected by (1) significant increases in minimum reserves for third party bodily injury claims and (2) a change in premium allocation for Motor classes in 2020, the Expected Claim Ratio method was used to estimate the claims liabilities as the other methods are limited by the relatively slower payment/reporting pattern due to the long-tail nature of Motor-Act claims.

2. Significant accounting policies (continued)

(u) Valuation of general insurance contract liabilities (continued)

The Group and the Company have also relied on payments based method as the payments experience is least affected by the changes.

Historical claims development is analysed by homogeneous business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their 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.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Indirect claims handling expense ("CHE") allowance is included as a part of best estimate of claims liability. CHE is intended to cover the indirect costs of administering outstanding claims until all claims are fully settled.

(v) Earnings per share ("EPS")

The Group and the Company present basic EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and of the Company by the weighted average number of ordinary shares outstanding during the period.

(w) Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event of change in circumstances that caused the transfers.

3. Plant and equipment

Group and Company	Office equipment RM'000	Furniture and fittings RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2021	5,374	15,750	22,494	4,126	47,744
Additions	3,242	-	2,328	426	5,996
Disposals	(5)	-	(1,444)	(1,475)	(2,924)
At 31 December 2021/1 January 2022	8,611	15,750	23,378	3,077	50,816
Additions	22	104	3,015	-	3,141
Disposals	(745)	(480)	(795)	(165)	(2,185)
At 31 December 2022	7,888	15,374	25,598	2,912	51,772
Accumulated depreciation					
At 1 January 2021	4,785	13,457	14,903	2,309	35,454
Charge for the year	321	1,089	2,875	609	4,894
Disposals	(5)	-	(1,432)	(1,313)	(2,750)
At 31 December 2021/1 January 2022	5,101	14,546	16,346	1,605	37,598
Charge for the year	838	471	2,871	566	4,746
Disposals	(741)	(432)	(784)	(162)	(2,119)
At 31 December 2022	5,198	14,585	18,433	2,009	40,225
Carrying amount					
At 1 January 2021	589	2,293	7,591	1,817	12,290
At 31 December 2021/1 January 2022	3,510	1,204	7,032	1,472	13,218
At 31 December 2022	2,690	789	7,165	903	11,547

3. Plant and equipment (continued)

Included in plant and equipment are the following fully depreciated assets which are still in use:

	Group and Company	
	2022 RM'000	2021 RM'000
At cost:		
Office equipment	3,747	4,427
Furniture and fittings	13,135	13,310
Computers	11,055	9,525
Motor vehicles	1,171	-

4. Right-of-use assets

	Properties RM'000	Office and other equipment RM'000	Total RM'000
Group and Company			
At 1 January 2021	39,138	2,002	41,140
Additions	4,379	44	4,423
Depreciation charge	(8,921)	(1,016)	(9,937)
Remeasurement of lease liabilities	(281)	-	(281)
At 31 December 2021/1 January 2022	34,315	1,030	35,345
Additions	4,249	-	4,249
Depreciation charge	(8,548)	(495)	(9,043)
Remeasurement of lease liabilities	(185)	-	(185)
At 31 December 2022	29,831	535	30,366

4.1 Extension options

Some leases of properties, office buildings and other equipment contain extension options exercisable by the Group and the Company up to nine years before the end of the non-cancellable contract period. Where practicable, the Group and the Company seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Company and not by the lessors. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.2 Judgements and assumptions in relation to leases

The Group and the Company assess at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term. The Group and the Company also applied judgement and assumptions in determining the interest rate implicit in the lease.

5. Investment property

	Group and Company	
	2022	2021
	RM'000	RM'000
Cost		
At 1 January/31 December	233	233
Accumulated depreciation		
At 1 January	108	103
Charge for the year	5	5
At 31 December	113	108
Accumulated impairment		
At 1 January/31 December	7	7
Carrying amount		
At 1 January	118	123
At 31 December	113	118

Included in the above is:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Group and Company				
Leasehold building	113	210	118	205

The following are recognised in profit or loss in respect of the investment property:

	Group and Company	
	2022	2021
	RM'000	RM'000
Direct operating expenses	4	4

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

5. Investment property (continued)

Level 2 fair value (continued)

Level 2 fair value of building have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and Level 2 fair values

There is no transfer between Level 1 and Level 2 fair values during the financial year.

Fair value information

Fair value disclosed for the investment property is categorised as follows:

Group and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Leasehold building	-	210	-	210
2021				
Leasehold building	-	205	-	205

6. Intangible assets

Group and Company	Computer software	
	2022 RM'000	2021 RM'000
Cost		
At 1 January	25,096	23,749
Additions	4,042	1,347
At 31 December	29,138	25,096
Accumulated amortisation		
At 1 January	20,926	18,080
Amortisation charge	2,182	2,846
At 31 December	23,108	20,926
Carrying amount		
At 31 December	6,030	4,170

6. Intangible assets (continued)

Included in intangible assets are the cost of the following fully amortised assets which are still in use:

	Group and Company	
	2022 RM'000	2021 RM'000
At cost:		
Customised software	10,926	8,164
Desktop applications	1,073	434
Licenses	6,369	6,147

7. Goodwill

	Group and Company	
	2022 RM'000	2021 RM'000
At 1 January/31 December	1,141,224	1,141,224

For the purpose of annual impairment testing, goodwill has been allocated to the general insurance business of the Group and of the Company as one single cash-generating unit which represents the lowest level within the Group and the Company at which the goodwill is monitored for internal management purposes.

The recoverable amount of the general insurance business was based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit using estimated operating results of 2023 to 2025 business plan. The growth rate was projected to perpetuity based on the Group's and the Company's business plan for financial year 2025.

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

	Group and Company	
	2022	2021
Perpetual growth rate (for terminal value)	3.0%	3.0%
Discount rate (post-tax)	8.1%	9.5%

The values assigned to the key assumptions represent management's assessment of future trends in the general insurance industry and are based on both external sources and internal sources (historical data).

The carrying amount of the unit was determined to be lower than its recoverable amount and accordingly, no impairment loss is required.

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the above mentioned key assumptions to change so significantly that would result in impairment.

8. Available-for-sale (“AFS”) financial assets

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
At fair value				
Equity securities in corporations:				
Quoted in Malaysia		151,915	151,915	308,742
Unquoted in Malaysia		602	602	602
Unit Trusts and Collective investment scheme		312,045	248,041	728,858
Controlled Structured Entities	8 (a)	-	1,798,100	1,550,657
Corporate and government bonds		1,687,784	-	-
Total AFS financial assets		2,152,346	2,198,658	2,588,859

Estimation of fair value

The fair values of quoted equity securities are their closing prices at the end of reporting period.

The fair value of the unquoted equity securities in corporations is determined to approximate the carrying amounts as these are immaterial in the context of the financial statements.

The fair value of unit trusts and controlled structured entities are their published Net Asset Value (“NAV”) unit prices at the end of reporting period.

The fair values of Malaysian Government securities and unquoted corporate debt securities are based on the indicative market prices.

Carrying value of AFS financial assets

	Group RM'000	Company RM'000
At 1 January 2021	2,478,837	2,478,837
Additions	675,819	675,819
Disposals	(506,918)	(506,918)
Fair value loss recorded in other comprehensive income	(52,985)	(52,985)
Provision for impairment loss	(5,894)	(5,894)
At 31 December 2021/1 January 2022	2,588,859	2,588,859
Additions	733,823	142,954
Disposals	(1,115,690)	(483,006)
Fair value loss recorded in other comprehensive income	(38,888)	(34,391)
Provision for impairment loss	(15,758)	(15,758)
At 31 December 2022	2,152,346	2,198,658

8. Available-for-sale (“AFS”) financial assets (continued)

8 (a) Controlled structured entities

The Company has determined that its investment in unit trust funds amounting to RM1,798,100,473 (2021: RM1,550,656,538) are in essence investment in structured entities (“investee funds”). The Company invests in certain investee funds whose objectives range from achieving short to long-term fixed income. The investee funds are managed by AmFunds Management Berhad, Affin Hwang Asset Management Berhad, Principal Asset Management Berhad, Nomura Asset Management Malaysia Sdn Bhd and Eastspring Investments Berhad which 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 over 80% to 100% of all the investee funds disclosed below, which are all established in Malaysia. 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. Accordingly, the Company has control over these investee funds and has consolidated these investee funds.

Details of the Company’s investment in controlled structured entities are as follows:

Name of unit trust fund	Principal activities	% of ownership interest held by the Company	
		2022	2021
AmBond Select 1	Investment in government bonds and deposits	100.00%	100.00%
AmBond Select 2	Investment in corporate bonds and deposits	83.33%	100.00%
Affin Hwang Wholesale Government Bond Fund	Investment in government bonds and deposits	100.00%	100.00%
Affin Hwang Wholesale Corporate Bond Fund	Investment in corporate bonds and deposits	100.00%	100.00%
Affin Hwang World Series-Asian Bond Fund	Investment in collective investment scheme, deposits and derivatives	100.00%	-
Principal Institutional Bond Fund 4	Investment in corporate bonds and deposits	100.00%	100.00%
Nomura Ringgit Bond Fund 2	Investment in government bonds, corporate bonds and deposits	100.00%	100.00%
Eastspring Investments Wholesale Sukuk Fund	Investment in sukuk issued or guaranteed by government and Islamic deposits	100.00%	No Control

8. Available-for-sale (“AFS”) financial assets (continued)

8 (a) Controlled structured entities (continued)

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

The significant components of the Company’s holdings in the investee funds amounting to approximately RM1,861 million (2021: RM1,539 million) are disclosed below:

2022	AmBond	AmBond	Affin Hwang	Affin Hwang	Affin Hwang	Principal	Nomura	Eastspring	Total
	Select 1	Select 2	Wholesale	Wholesale	Series-Asian	Institutional	Ringgit	Investments	
RM’000	RM’000	RM’000	Government	Corporate	Bond Fund	Bond Fund 4	Bond Fund 2	Wholesale	RM’000
			Bond Fund	Bond Fund	Bond Fund	Bond Fund	Bond Fund	Sukuk Fund	RM’000
	251,702	-	198,775	-	-	-	86,286	190,382	727,145
Government bonds	-	393,982	-	225,006	-	174,777	166,874	-	960,639
Corporate bonds	-	-	-	-	64,004	-	-	-	-
Collective investment scheme	-	-	5,001	5,001	-	-	-	-	64,004
Money market deposits	26,426	34,440	5,002	7,689	190	11,520	5,389	8,754	99,410
Cash and cash equivalents									
	278,128	428,422	208,778	237,696	64,194	186,297	258,549	199,136	1,861,200

Fair value of underlying assets:

Company

8. Available-for-sale (“AFS”) financial assets (continued)

8 (a) Controlled structured entities (continued)

2021	AmBond		Affin Hwang		Affin Hwang		Affin Hwang		Affin Hwang		Nomura		Eastspring		Total
	Select 1	Select 2	Wholesale	Government	Wholesale	Corporate	World	Series-Asian	Institutional	Bond Fund 4	Bond Fund 2	Ringgit	Investments	Wholesale	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fair value of underlying assets:															
Company															
Government bonds	260,071	-	-	207,236	-	-	-	-	-	-	88,437	-	-	-	555,744
Corporate bonds	-	354,509	-	-	220,054	-	-	-	170,642	-	166,170	-	-	-	911,375
Money market deposits	-	-	-	3,232	21,319	-	-	-	15,334	-	6,554	-	-	-	46,439
Cash and cash equivalents	18,601	6,291	-	25	23	-	-	-	21	-	61	-	-	-	25,022
	278,672	360,800		210,493	241,396		-	-	185,997		261,222				1,538,580

8. Available-for-sale (“AFS”) financial assets (continued)

8 (a) Controlled structured entities (continued)

The Company’s exposure to investments in the investee funds is disclosed below:

Company	AmBond Select 1 RM’000	AmBond Select 2 RM’000	Affin Hwang Wholesale		Affin Hwang Corporate		Affin Hwang Series-Asian		Principal Institutional Bond Fund 4 RM’000	Nomura Ringgit Bond Fund 2 RM’000	Eastspring Investments Wholesale		Total RM’000
			Government Bond Fund RM’000	Wholesale Corporate Bond Fund RM’000	Wholesale Corporate Bond Fund RM’000	World Bond Fund RM’000	Wholesale Sukuk Fund RM’000						
2022													
Total fair value													
(loss)/gain recognised	(9,237)	(5,054)	(5,184)	(1,450)	(1,982)	3,133	(11,676)	(1,593)	(33,043)				
2021													
Total fair value													
(loss)/gain recognised	(7,548)	(1,302)	(3,641)	2,184	-	4,003	(8,874)	-	(15,178)				

The Company’s maximum exposure to loss from its interests in the investee funds is equal to the carrying amounts shown above.
The investee funds are not audited by KPMG PLT.

9. Deferred tax (assets)/liabilities

Recognised deferred tax (assets)/liabilities

Recognised deferred tax (assets)/liabilities are attributable to the following:

	Group and Company	
	2022	2021
	RM'000	RM'000
Available-for-sale financial assets	(6,714)	1,540
Plant and equipment	2,598	2,641
Provisions	(16,459)	(19,754)
Deferred tax assets (net)	(20,575)	(15,573)

Movement in temporary differences during the year:

	At 1.1.2021	Recognised in profit or loss (Note 30)	Recognised in other comprehensive income	At 31.12.2021/1.1.2022	Recognised in profit or loss (Note 30)	Recognised in other comprehensive income	At 31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Company							
Available-for-sale financial assets	14,256	-	(12,716)	1,540	-	(8,254)	(6,714)
Plant and equipment	1,728	913	-	2,641	(43)	-	2,598
Provisions	(17,540)	(2,214)	-	(19,754)	3,295	-	(16,459)
Deferred tax (assets)/liabilities	(1,556)	(1,301)	(12,716)	(15,573)	3,252	(8,254)	(20,575)

10. Reinsurance assets

	Note	Group and Company	
		2022 RM'000	2021 RM'000
Reinsurance of insurance contracts			
Claims liabilities	17.1	840,523	1,121,865
Premium liabilities	17.2	114,772	108,354
		955,295	1,230,219

11. Loans and receivables, excluding insurance receivables

	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Staff loans:			
Receivable within twelve months	10	10	10
Receivable after twelve months	78	78	88
	88	88	98
Fixed and call deposits with maturity > 3 months with licensed financial institutions:			
- Licensed banks in Malaysia	1,164,849	1,154,847	718,965
Other receivables:			
Other receivables, deposits and prepayments	13,152	13,023	12,698
Income due and accrued	27,500	14,909	12,244
Amount due from immediate holding company	402	402	140
Amount due from related companies	3	3	-
Amount due from affiliated companies	4	4	-
	41,061	28,341	25,082
Less: Impairment allowance	(34)	(34)	(34)
	41,027	28,307	25,048
Total loans and receivables, excluding insurance receivables	1,205,964	1,183,242	744,111

The amount due from immediate holding company is non-trade in nature, interest free, unsecured and repayable on demand.

The following loans and receivables mature after 12 months:

	Group and Company	
	2022 RM'000	2021 RM'000
Staff loans	78	88

Estimation of fair value

The fair values of staff loans and other receivables were determined to approximate the carrying amounts as these are immaterial in the context of the financial statements. The carrying amounts of the fixed and call deposits approximate their fair values.

12. Insurance receivables

	Note	Group and Company	
		2022 RM'000	2021 RM'000
Due premiums including agents/brokers, co-insurers and insureds		162,241	166,525
Due from reinsurers and cedants		54,374	10,430
Amount due from immediate holding company	12.1	1,687	328
Amount due from related companies	12.1	485	156
Amount due from affiliated companies	12.1	3,488	5,656
		222,275	183,095
Less: Impairment allowance	12.2	(1,196)	(2,307)
		221,079	180,788

12.1 Amount due from immediate holding company, related companies and affiliated companies are unsecured, interest free and repayable on demand.

12.2 During the year, certain outstanding impaired receivables were written off against the allowance for impairment made previously amounted to RM840,000 (2021: RM22,000).

13. Deferred acquisition costs

	Note	Group and Company	
		2022 RM'000	2021 RM'000
Gross			
At 1 January		85,808	82,041
Movement during the year	25	8,698	3,767
At 31 December		94,506	85,808
Reinsurance			
At 1 January		(12,805)	(12,525)
Movement during the year	25	(1,070)	(280)
At 31 December		(13,875)	(12,805)
Net			
At 1 January		73,003	69,516
Movement during the year		7,628	3,487
At 31 December		80,631	73,003

14. Cash and cash equivalents

	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Fixed and call deposits with licensed banks in Malaysia	222,768	184,787	107,523
Cash and bank balances	109,053	47,624	31,004
	331,821	232,411	138,527

The carrying amounts approximate their fair values due to the relatively short-term nature of these financial instruments.

15. Share capital

	2022		2021	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Group and Company				
Issued and fully paid shares with no par value:				
Ordinary shares	1,511,546	333,143	1,511,546	333,143

16. Reserves

16.1 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired. The fair value reserve is in respect of unrealised gains on securities available-for-sale, net of deferred taxation.

16.2 Retained earnings

The Company may distribute single tier exempt dividends to its shareholders out of its retained earnings. Pursuant to section 51(1) of the Financial Services Act, 2013, the Company is required to obtain 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 is less than its internal target or if the payment of dividend would impair its Capital Adequacy Ratio to below its internal target.

17. Insurance contract liabilities

The general insurance contract liabilities and its movements for the year are further analysed as follows:

	Note	2022		2021	
		Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000
Group and Company					
Provision for claims reported by policyholders	17.1	1,693,370	(746,470)	1,658,373	(815,938)
Provision for IBNR	17.2	85,445	(94,053)	297,764	(305,927)
		1,778,815	(840,523)	1,956,137	(1,121,865)
Provision for outstanding claims		835,130	(114,772)	765,102	(108,354)
Provision for unearned premiums					
		2,613,945	(955,295)	2,721,239	(1,230,219)
			1,658,650		1,491,020

Note 10

Note 10

17. Insurance contract liabilities (continued)

17.1 Provision for outstanding claims

Note	2022		2021	
	Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000
Group and Company				
At 1 January	1,956,137	(1,121,865)	1,132,839	(350,182)
Claims incurred in the current accident year	907,002	(150,377)	1,430,372	(829,053)
Adjustment to claims incurred in prior accident years	(122,599)	13,207	(132,885)	27,257
Adjustment to claims incurred in the ex-HLA run-off portfolio	(541)	84	(1,196)	39
Movement in PRAD of claims liabilities at 75% confidence level	(743)	10,136	82,711	(81,282)
Movement in claims handling expenses	277	-	8,244	-
Claims paid during the year	(960,718)	408,358	(563,948)	111,900
Movement in reinsurance default provision	-	(66)	-	(544)
At 31 December	1,778,815	(840,523)	1,956,137	(1,121,865)
				Net RM'000
				834,272

17.2 Provision for unearned premiums

Note	2022		2021	
	Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000
Group and Company				
At 1 January	765,102	(108,354)	734,098	(103,731)
Premiums written in the year	1,633,043	(316,569)	1,477,731	(343,965)
Premiums earned during the year	(1,563,015)	310,151	(1,446,727)	339,342
At 31 December	835,130	(114,772)	765,102	(108,354)
				Net RM'000
				656,748

18. Lease liabilities

Leases as lessee

	Group and Company	
	2022	2021
	RM'000	RM'000
Lease liabilities are payable as follows:		
- Within next 12 months	7,509	8,426
- After next 12 months	24,039	27,839
	31,548	36,265

18.1 Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	Note	Group and Company	
		2022	2021
		RM'000	RM'000
At 1 January		36,265	40,500
Net changes from financing cash flows		(10,654)	(10,588)
Acquisition of new lease	4	4,249	4,423
Interest on lease liabilities	28	1,873	2,211
Remeasurement of lease liabilities		(185)	(281)
At 31 December		31,548	36,265

18.2 Amount recognised in statement of cash flows

	Note	Group and Company	
		2022	2021
		RM'000	RM'000
Included in net cash from operating activities:			
Payment relating to short-term leases	28	(589)	(307)
Included in net cash from financing activities:			
Payment of lease liabilities		(10,654)	(10,588)
Total cash outflows for leases		(11,243)	(10,895)

19. Other financial liabilities

	Note	Group and Company	
		2022 RM'000	2021 RM'000
Cash collateral deposits received from policyholders	19.1	24,651	18,531
Deposit received from reinsurers		7,696	7,215
		32,347	25,746

19.1 Fixed deposits held as cash collateral for guarantees issued on behalf of policyholders are included in loans and receivables and fixed and call deposits with licensed financial institutions.

The carrying amounts disclosed above approximate their fair values at the end of the reporting period. All amounts are payable within one year except for cash collateral deposit which has no maturity date.

20. Insurance payables

	Group and Company	
	2022 RM'000	2021 RM'000
Due to reinsurers and cedants	78,013	137,500
Due to agents/brokers, co-insurers and insureds	34,702	26,822
Amount due to related companies	1,834	2,076
Amount due to affiliated companies	253	314
	114,802	166,712

The carrying amounts disclosed above approximate fair values at the end of the reporting period. All amounts are payable within one year.

21. Other payables

	Note	Group	Company	Group and Company
		2022 RM'000	2022 RM'000	2021 RM'000
Other payables		44,779	44,779	47,126
Accrued expenses		43,803	40,049	41,457
Provision	39	16,080	16,080	16,080
Amount due to related companies	21.1	5,344	5,344	4,552
Amount due to other unitholders	21.2	72,066	-	-
		182,072	106,252	109,215

21.1 The amounts due to former immediate holding company and related companies are non-trade in nature, interest free, unsecured and repayable on demand.

21.2 Amount due to other unitholders is the non-controlling interest investment in AmBond Select 2. For the year ended 31 December 2022, the profit and total comprehensive income attributable to these non-controlling interests amounted to RM 6,154,000 and RM 1,657,000 respectively.

22. Operating revenue

	Note	Shareholders fund RM'000	General business RM'000	Total RM'000
2022				
Group				
Gross earned premiums		-	1,563,015	1,563,015
Investment income	23	19,032	89,951	108,983
		19,032	1,652,966	1,671,998
Company				
Gross earned premiums		-	1,563,015	1,563,015
Investment income	23	33	89,951	89,984
		33	1,652,966	1,652,999
2021				
Group and Company				
Gross earned premiums		-	1,446,727	1,446,727
Investment income	23	51	93,422	93,473
		51	1,540,149	1,540,200

23. Investment income

	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
AFS financial assets			
Dividend/distribution income:			
- Equity securities quoted in Malaysia	8,397	8,397	8,334
- Unquoted equity securities in Malaysia	85	85	170
- Unit Trusts	5,748	5,748	21,485
- Controlled Structured Entities	-	48,186	46,104
- Corporate and government bonds	63,189	-	-
- Collective investment scheme	527	-	-
Loans and receivables and cash and cash equivalents:			
Interest/profit income	31,037	27,568	17,380
	108,983	89,984	93,473

24. Realised gains and losses

	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Realised gains for:			
Plant and equipment	44	44	546
AFS financial assets			
Quoted equity securities in Malaysia	13,672	13,672	12,235
Unit trust and controlled structured entities	-	(250)	1,782
Corporate and government bonds	(7,307)	-	-
Collective investment scheme	(294)	-	-
	6,115	13,466	14,563

25. Commission income/(expense)

	Note	Group and Company	
		2022 RM'000	2021 RM'000
Commission income			
Commission income		57,170	49,292
Movement in deferred acquisition cost	13	(1,070)	(280)
		56,100	49,012
Commission expense			
Commission expense		(192,832)	(169,945)
Movement in deferred acquisition cost	13	8,698	3,767
		(184,134)	(166,178)

26. Other operating income/(expense)

	Group and Company	
	2022 RM'000	2021 RM'000
Other operating income		
Interest on staff housing loan	4	4
Sundry income	708	676
	712	680
Other operating expense		
Sundry expense	(3,706)	(5,225)

27. Net claims incurred

	Group and Company	
	2022 RM'000	2021 RM'000
Gross claims paid less salvage	960,718	563,948
Reinsurance recoveries	(408,358)	(111,900)
Net claims paid	552,360	452,048
Net change in claims liabilities:		
At 31 December	938,292	834,272
At 1 January	(834,272)	(782,657)
	656,380	503,663

28. Management expenses

	Note	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Employee benefits expenses	28.1	116,712	116,712	116,003
Senior Management cash-based remuneration				
- Fixed		5,579	5,579	4,681
- Variable		1,881	1,881	1,501
Chief Executive Officer's remuneration	29	2,947	2,947	2,556
Non-Executive Directors' remuneration	29	774	774	1,049
Allowance for impairment on insurance receivable		(1,111)	(1,111)	388
Amortisation of intangible assets	6	2,182	2,182	2,846
Auditors' remuneration				
- Audit fees		639	639	657
- Non-audit fees	28.2	222	222	180
Bad debts written off		870	870	24
Depreciation of investment property	5	5	5	5
Depreciation of plant and equipment	3	4,746	4,746	4,894
Depreciation of right-of-use assets	4	9,043	9,043	9,937
Expenses arising from short-term leases*	18.2	589	589	307
Interest on lease liabilities	18.1	1,873	1,873	2,211
Other expenses		108,316	102,822	93,252
		255,267	249,773	240,491

*The Group and the Company lease properties with contract terms of 1 month to 9 years. Among those property leases, there are short-term leases that have lease term of 12 months or less in which the Group and the Company have elected not to recognise right-of-use assets and lease liabilities.

28. Management expenses (continued)

28.1 Employee benefits expenses

	Group and Company	
	2022 RM'000	2021 RM'000
Wages, salaries and others	100,299	99,457
Social security contributions	954	931
Contribution to Employees' Provident Fund	15,077	15,186
Contribution to retirement gratuities	382	429
	116,712	116,003

28.2 Non-audit fees

The non-audit fees of RM58,000 (2021: RM138,000) are borne by the Company's immediate holding company.

29. Key management personnel compensation

Details of the Directors' and Chief Executive Officer's remuneration (including benefits-in-kind) for the financial year 2022 are as follows:

Group and Company 2022	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-	
						in-kind RM'000	Total RM'000
Chief Executive Officer - Mr. Chua Seck Guan	-	1,696	845	406	-	35	2,982
Executive Director - Mr. Alan John Wilson	-	-	-	-	-	-	-
Non-Executive Directors							
- Dato' Mohd. Sallehuddin bin Othman	33	-	-	-	24	-	57
- Dato' Muthanna bin Abdullah	94	-	-	-	95	-	189
- Ms. Pearl Chan Siew Cheng	79	-	-	-	111	-	190
- Mr. Lim Tiang Siew	79	-	-	-	60	-	139
- Mr. Kenichi Shoji*	19	-	-	-	16	-	35
- Mr. Iichiro Sadamoto*	26	-	-	-	-	-	26
- Ms. Gan Bee Lan	79	-	-	-	59	-	138
- Ms. Loh Guat Lan	-	-	-	-	-	-	-
Total Directors' Remuneration (including benefits-in-kind)	409	-	-	-	365	-	774
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	409	1,696	845	406	365	35	3,756

* The Director's fee and meeting fee were paid to Toyota Tsusho (Malaysia) Sdn. Bhd.

29. Key management personnel compensation (continued)

Details of the Directors' and Chief Executive Officer's remuneration (including benefits-in-kind) for the financial year 2021 are as follows:

Group and Company 2021	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-		Total RM'000
						in-kind RM'000	RM'000	
Chief Executive Officer - Mr. Chua Seck Guan	-	1,602	601	353	-	-	39	2,595
Executive Director - Mr. Alan John Wilson	-	-	-	-	-	-	-	-
Non-Executive Directors								
- Dato' Mohd. Sallehuddin bin Othman	91	-	-	-	122	-	-	213
- Ms. Pearl Chan Siew Cheng	73	-	-	-	129	-	-	202
- Dato' Muthanna bin Abdullah	73	-	-	-	132	-	-	205
- Mr. Iichiro Sadamoto*	73	-	-	-	72	-	-	145
- Mr. Lim Tiang Siew	73	-	-	-	71	-	-	144
- Ms. Gan Bee Lan	73	-	-	-	67	-	-	140
- Ms. Loh Guat Lan	-	-	-	-	-	-	-	-
Total Directors' Remuneration (including benefits-in-kind)	456	-	-	-	593	-	-	1,049
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	456	1,602	601	353	593	-	39	3,644

* The Director's fee and meeting fee were paid to Toyota Tsusho (Malaysia) Sdn. Bhd.

30. Tax expense

	Note	Group and Company	
		2022 RM'000	2021 RM'000
Current tax expense			
Malaysian - current		73,903	66,364
- prior years		(3,966)	(1,448)
		69,937	64,916
Deferred tax expense			
Malaysian - current		3,001	(1,894)
- prior years		251	593
	9	3,252	(1,301)
Total tax expense		73,189	63,615
Reconciliation of tax expense			
Profit for the year		230,185	280,047
Tax expense		73,189	63,615
Profit before taxation		303,374	343,662
Income tax using Malaysian tax rate of 24%		24,000	82,479
Income tax using prosperity tax rate on the chargeable income in excess of RM100,000,000 of 33%		67,113	-
Effect of tax rate change	30.1	2,679	(3,086)
Non-deductible expenses		2,419	3,735
Tax exempt income		(19,298)	(18,721)
Other items		(9)	63
		76,904	64,470
(Over)/Under provision in prior years			
- Current tax		(3,966)	(1,448)
- Deferred tax		251	593
Tax expense		73,189	63,615
Income tax recognised directly in equity			
Available-for-sale financial assets		8,254	12,716

30.1 During the Malaysia Budget 2022 announcement on 29 October 2021, the Minister of Finance introduced a one-off special tax under Cukai Makmur (also known as "prosperity tax") for YA2022. Companies with taxable income of more than RM100 million will be subjected to one-off prosperity tax of 33% (instead of the standard 24% tax rate) on the taxable profit in excess of RM100 million.

31. Earnings per share

Basic earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM230,185,000 (2021: RM280,047,000) and the weighted average number of ordinary shares outstanding during the year of 333,143,000 (2021: 333,143,000).

32. Dividends

Dividends recognised by the Group and the Company:

	Sen per share net of tax	Total amount RM'000	Date of payment
Group and Company 2022			
Final 2022 - tax-exempt	40.00	<u>133,257</u>	05 Jul 2022
Group and Company 2021			
Interim 2021 - tax-exempt	80.00	<u>266,514</u>	07 Oct 2021

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2022 is 70 sen per ordinary share totalling RM233,200,000. These dividends will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2023 upon approval by Bank Negara Malaysia and the shareholders of the Company.

33. Capital expenditure commitments

	Group and Company	
	2022	2021
	RM'000	RM'000
Plant and equipment		
Authorised but not contracted for	-	524
Contracted but not provided for	<u>3,101</u>	<u>4,632</u>

34. Significant related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Group and of the Company are:

(i) Holding companies

The immediate holding and ultimate holding companies are Mitsui Sumitomo Insurance Co., Ltd. and MS&AD Insurance Group Holdings, Inc., respectively. Both companies are incorporated in Japan.

(ii) Fellow subsidiaries

These are entities which are under common control of the ultimate, penultimate and immediate holding companies.

(iii) Affiliated companies

Affiliated companies comprised of companies having equity interest of between 20% to 50% in the Group and the Company and including other corporations related to the first mentioned corporation.

34. Significant related party disclosures (continued)

(iv) Key management personnel

Key management personnel include the Company's Chief Executive Officer, Executive and Non-Executive Directors which are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The compensation for Company's Chief Executive Officer, Executive and Non-Executive Directors are disclosed in Note 29.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company, other than key management personnel remuneration are shown below. The outstanding balances related to the below transactions are as shown in Notes 11, 12, 20 and 21.

	Group and Company	
	2022 RM'000	2021 RM'000
Holding company		
RI premium paid to	61,412	55,465
RI commission received from	(11,424)	(10,195)
Claims recoveries received from	(63,478)	(23,522)
Claims settling fee received from	(398)	(305)
Recovery of expenses paid on behalf received from	(1,735)	(1,461)
Fellow subsidiary companies		
RI premium paid to	13,528	16,222
RI commission received from	(2,352)	(2,997)
Claims recoveries received from	(8,204)	(7,928)
Service fee paid to	4,581	4,286
Recovery of expenses paid on behalf received from	836	223
Affiliated companies		
Premium income received from	(110,054)	(101,696)
Commission expense paid to	13,906	12,999
Claims paid to	37,968	16,044
Access fees paid to	16,952	16,266
Bank merchant fees paid to	2,595	2,370
Interest/Dividend income received from	(5,075)	(4,077)
Marketing expenses paid to	2,543	2,536
Surveying fees paid to	322	167

35. Risk Management Framework

The Company recognises the importance of effective risk management to realise the Company's corporate objectives and responsibilities to achieve financial soundness and capital efficiency.

In this regard, the Board has set out the overall risk management strategies, policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

The major areas of risk that the Company is exposed to are insurance risks, financial risks and operational risks.

The Company's risk management framework is as follows:

- A Board Compliance and Risk Management Committee ("BCRMC") is established at the Board Committee level to set the direction and to oversee the overall risk management framework as well as to ensure that resources, infrastructure and systems are in place for risk management activities. The BCRMC is supported by Enterprise Risk Management Committee ("ERMC").
- The ERMC comprising of the Senior Management Team members, supports the BCRMC in the process of risk identification, risk assessment and risk mitigation as well as promoting risk management culture and governance across all levels of staff through an effective organisation structure, communication, training as well as clear policies and procedures.
- The Company has an Enterprise Risk Management Department and also makes references to the risk management functions at the Head Office in Japan and Regional Office in Singapore for advice and guidance on risk management approach and best practices.
- The Internal Audit function which is independent from the business operations also provides support in identifying and highlighting key risk areas for improvement.
- The Company has in place an Enterprise Risk Management Policy, Regulations & Guidelines, and maintains a Company Risk Profile to record details of the various risks faced by the Company. The Company has also developed a Company Risk Profile which is subject to periodic review.

Stress Testing

The risk management framework also includes a Stress Testing Policy and Stress Testing Methodology. Stress Testing exercise is conducted at least once a year to identify potential threats due to exceptional but adverse plausible events and to evaluate the sustainability of the Company's capital to withstand the impact.

Internal Capital Adequacy Assessment Process ("ICAAP")

Bank Negara Malaysia ("BNM") issued a Guideline on ICAAP for Insurers on 24 February 2012 with effective date from 1 September 2012.

Among the key elements under ICAAP, insurers are required to put in place:

- (i) A Capital Management Framework which includes setting of risk appetite or risk tolerance level as well as determine Individual Target Capital Level ("ITCL") that commensurate with own risk profile and control environment through comprehensive Stress Testing. The Company has established a Risk Appetite Statement and performs the comprehensive Stress Testing for ITCL Review required under ICAAP annually; and
- (ii) To maintain a sound Capital Management to ensure insurers operate at a level above ITCL all the time.

The Company has drawn up ICAAP Policy to ensure sound governance and effective risk management over capital solvency. ICAAP is implemented as part of Enterprise Risk Management Framework to manage and maintain capital adequacy level that is commensurate with risk profile at all times.

35. Risk Management Framework (continued)

Internal Capital Adequacy Assessment Process ("ICAAP") (continued)

The Company issues an ICAAP Report annually covering the following areas:

Risk Appetite

The Risk Appetite Framework has been established to address the major types of risks that the Company needs to manage in executing its business strategies through the Business Plan.

Individual Target Capital Level ("ITCL") Review

Under the RBC Framework, BNM has set a supervisory target capital level of 130% (Supervisory Capital Adequacy Ratio) and insurer should establish an ITCL which is higher against Supervisory Capital Adequacy Ratio.

The Company has performed a series of Scenario Stress Tests to review and determine appropriate ITCL from actuarial technical standpoint which is required to be maintained by the Company in order to withstand the exceptional and adverse plausible events.

Capital Management Plan ("CMP")

The CMP has been established to be in line with the requirements set out in the RBC Framework and formed an integral part of ICAAP. The CMP sets out procedures to implement and maintain an appropriate level of capital which commensurate with risk profile at all times as required under regulatory requirements.

36. Insurance risk

The Group and the Company underwrite various classes of general insurance contracts, with a portfolio mix comprising mainly of Motor, Fire, Marine, Aviation and Miscellaneous policies.

The risk under insurance contracts is the possibility of occurrence of an insured event and uncertainty of the amount and timing of resulting claim. The principal risk the Group and the Company face under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- | | | |
|------------------|---|--|
| Occurrence risk | - | the possibility that the number of insured events will differ from those expected. |
| Severity risk | - | the possibility that the cost of the events will differ from those expected. |
| Development risk | - | the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period. |

The variability of risk events can be managed by writing a large, diversified portfolio of insurance contracts, because a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risk events can also be managed by careful selection of risks and implementation of underwriting strategy and guidelines as well as claims management and control systems.

The Group and the Company are also exposed to risks arising from climate changes, natural disasters, terrorism activities, regulatory changes such as the phased liberalisation of motor and fire tariff and pandemic.

The objective of the Group and of the Company are to control and manage insurance risk to reduce volatility of operating profits. The Group and the Company manage insurance risk through the following:

- The Group's and the Company's underwriting approach is governed by an underwriting policy and guidelines which sets out a control framework for risk acceptance and referrals, underwriting capacity and authority limits granted to the various operations.
- The Group's and the Company's claims philosophy which provides the framework for claims management, regular claims review and claims handling procedures with the objectives to minimise the uncertainty of claims development and inflationary costs as well as to mitigate dubious or fraudulent claims whilst ensuring fair claims settlement.

36. Insurance risk (continued)

- Reinsurance is used to limit the Group's and the Company's exposure to large claims and catastrophes by placing risk with reinsurers providing high security.

The table below sets out the concentration of the Group's and the Company's insurance business by type of product based on gross and net written premiums.

Group and Company	Gross RM'000	Reinsurance RM'000	Net RM'000
2022			
Motor	711,726	(22,591)	689,135
Fire	435,972	(174,004)	261,968
Marine Cargo, Aviation Cargo, and Transit	105,816	(27,397)	78,419
Miscellaneous	379,529	(92,577)	286,952
	1,633,043	(316,569)	1,316,474
2021			
Motor	621,326	(19,878)	601,448
Fire	422,114	(209,186)	212,928
Marine Cargo, Aviation Cargo, and Transit	102,275	(30,377)	71,898
Miscellaneous	332,016	(84,524)	247,492
	1,477,731	(343,965)	1,133,766

The table below sets out the concentration of the Group's and of the Company's insurance contracts liabilities by type of product.

Group and Company	Gross RM'000	Reinsurance RM'000	Net RM'000
2022			
Motor	1,089,049	(26,896)	1,062,153
Fire	827,464	(631,981)	195,483
Marine Cargo, Aviation Cargo, and Transit	82,127	(26,713)	55,414
Miscellaneous	615,305	(269,705)	345,600
	2,613,945	(955,295)	1,658,650
2021			
Motor	953,360	(34,164)	919,196
Fire	1,042,166	(836,082)	206,084
Marine Cargo, Aviation Cargo, and Transit	142,689	(84,221)	58,468
Miscellaneous	583,024	(275,752)	307,272
	2,721,239	(1,230,219)	1,491,020

36. Insurance risk (continued)

Key assumptions

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling cost and claims numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example isolated occurrence of large claims 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 may affect the estimates, such as the impact of COVID-19 pandemic and Malaysia's flood event that occurred on December 2021 in which the Company relied on latest reported claims data.

No discounting is made to the recommended claims and premium liability provisions. In most cases, no explicit inflation adjustment has been made to claims amounts payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development.

The Group and the Company have based the provisions for unexpired risks and insurance claims at a minimum 75% level of sufficiency, according to the requirement set by Bank Negara Malaysia under the RBC Framework.

Sensitivity analysis of insurance liabilities

Estimates of an insurance company's claim and premium liabilities may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience such that the actual liability may vary considerably from the best estimates.

The Company re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and of the Company's estimation process in respect of its insurance contracts. The analysis presented in page 126 demonstrates the sensitivity of insurance liability estimates to particular movements in assumptions used in the estimation process. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The analysis below is performed to assess movements in key assumptions with all other assumptions held constant and ignores changes in values of the related assets. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

The key assumptions considered in the sensitivity analysis are as follows:

- Initial Expected Loss Ratio ("IELR") for accident year 2022
- Selected Ultimate Loss Ratio ("ULR") for accident year 2022

36. Insurance risk (continued)

Sensitivity analysis of insurance liabilities (continued)

The IELR is a parameter used in the Expected Claims Ratio and Bornhuetter-Ferguson methods. These methods are usually used by actuaries to estimate the claim liability for more recent accident periods where there is little credible data. The sensitivity test is performed by changing the IELR by -15% multiplicatively to +15% multiplicatively to derive the claim liabilities and the net impact is disclosed in the following table.

The selected ULR is derived from the best estimation of claims reserve and is a major factor to determine the actuarial unexpired risk reserve which is a component of premium liability. A change in the expected ULR also affects the claim liability as it is a function of ultimate losses. To show the sensitivity of this assumption, the impact of changing ULR by -15% multiplicatively and +15% multiplicatively is shown in the table below. For claims liabilities, 2021 accident year ULRs were changed only. For premium liabilities, the expected ULRs were changed.

The results of the sensitivity analysis (net of reinsurance) showing the impact on the claim and premium liabilities are as follows:

Group and Company	IELR		ULR	
	+15% RM'000	-15% RM'000	+15% RM'000	-15% RM'000
2022				
Premium liabilities	-	-	-	-
Claim liabilities	25,677	(25,654)	122,363	(119,976)
Total	25,677	(25,654)	122,363	(119,976)
Impact on profit before tax	25,677	(25,654)	122,363	(119,976)
Impact on equity*	17,460	(17,445)	83,207	(81,584)
2021				
Premium liabilities	-	-	-	-
Claim liabilities	22,638	(22,638)	95,955	(94,150)
Total	22,638	(22,638)	95,955	(94,150)
Impact on profit before tax	22,638	(22,638)	95,955	(94,150)
Impact on equity*	17,205	(17,205)	72,925	(71,554)

*Impact on equity reflects adjustments for tax, where applicable.

Claims Development Table

The following tables show the estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

36. Insurance risk (continued)

Gross general insurance contract liabilities for 2022:

Group and Company Accident year	Before							Total RM'000	
	2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000		2021 RM'000
At end of accident year	1,052,072	1,017,482	1,041,781	1,067,931	1,067,931	996,844	766,170	1,430,372	907,002
One year later	961,550	927,017	952,318	935,844	935,844	899,592	684,190	1,396,807	
Two years later	945,176	863,918	915,036	912,711	863,027	865,212			
Three years later	922,370	865,504	921,686	896,182	899,215				
Four years later	916,523	869,712	906,751						
Five years later	917,924	894,899	911,702						
Six years later	884,614	825,888							
Seven years later	879,343								
Current estimate of cumulative claims incurred	879,343	825,888	911,202	899,215	865,212	662,558	1,396,807	907,002	
At end of accident year	411,604	446,983	446,741	458,071	452,758	302,270	290,595	336,681	
One year later	773,865	724,731	764,381	732,345	670,035	487,495	782,238		
Two years later	832,312	778,128	819,994	794,294	719,802	554,608			
Three years later	856,957	805,614	847,602	812,931	754,557				
Four years later	863,987	813,486	855,558	830,015					
Five years later	866,221	817,921	863,939						
Six years later	869,369	819,886							
Seven years later	871,552								
Cumulative payments to-date	871,552	819,886	863,939	830,015	754,557	554,608	782,238	336,681	

36. Insurance risk (continued)

Gross general insurance contract liabilities for 2022 (continued):

Group and Company	Note	Before 2015 RM'000	2015 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
Gross general insurance liabilities (direct, facultative and treaty inward)		42,674	7,791	6,002	47,263	69,200	110,655	107,950	614,569	570,321	1,576,425
Claims handling expenses											50,000
PRAD at 75% confidence level											152,390
Gross general insurance contract liabilities per statement of financial position	17.1										1,778,815

36. Insurance risk (continued)

Gross general insurance contract liabilities for 2021:

Group and Company Accident year	Before							Total RM'000
	2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	
At end of accident year	985,708	1,052,072	1,017,482	1,041,781	1,067,931	996,844	766,170	1,430,372
One year later	866,421	961,550	927,017	952,318	935,844	899,592	684,190	
Two years later	800,218	945,176	863,918	915,036	912,711	863,027		
Three years later	793,142	922,370	865,504	921,686	896,182			
Four years later	778,774	916,523	869,712	906,751				
Five years later	775,433	917,924	894,899					
Six years later	757,900	884,614						
Seven years later	753,245							
Current estimate of cumulative claims incurred	753,245	884,614	894,899	906,751	896,182	863,027	684,190	1,430,372
At end of accident year	388,474	411,604	446,983	446,741	458,071	452,758	302,270	290,595
One year later	654,121	773,865	724,731	764,381	732,345	670,035	487,495	
Two years later	714,733	832,312	778,128	819,994	794,294	719,802		
Three years later	730,243	856,957	805,614	847,602	812,930			
Four years later	738,804	863,987	813,486	855,558				
Five years later	742,562	866,221	817,921					
Six years later	745,228	869,369						
Seven years later	748,160							
Cumulative payments to-date	748,160	869,369	817,921	855,558	812,930	719,802	487,495	290,595

36. Insurance risk (continued)

Gross general insurance contract liabilities for 2021 (continued):

Group and Company	Note	Before										Total
		2014	2014	2014	2015	2016	2017	2018	2019	2020	2021	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross general insurance liabilities (direct, facultative and treaty inward)		41,832	5,085	15,245	76,978	51,193	83,252	143,225	196,695	1,139,777	1,753,282	
Claims handling expenses											49,722	
PRAD at 75% confidence level											153,133	
Gross general insurance contract liabilities per statement of financial position	17.1											1,956,137

36. Insurance risk (continued)

Net general insurance contract liabilities for 2022:

Group and Company Accident year	Before							Total	
	2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000		2021 RM'000
At end of accident year	754,510	795,839	792,408	853,349	798,559	597,561	601,299	756,620	
One year later	688,712	730,627	753,959	793,492	732,063	534,457	530,139		
Two years later	668,370	701,786	730,208	767,119	709,870	513,616			
Three years later	662,690	701,734	728,926	771,990	716,675				
Four years later	659,127	703,567	727,852	778,324					
Five years later	658,335	703,265	730,333						
Six years later	636,480	675,856							
Seven years later	630,387								
Current estimate of cumulative claims incurred	630,387	675,856	730,333	778,324	716,675	513,616	530,139	756,620	
At end of accident year	349,673	399,332	420,136	424,354	405,388	282,149	250,264	318,587	
One year later	558,268	604,072	621,758	646,438	575,984	411,254	398,589		
Two years later	597,759	641,438	661,529	686,605	613,701	444,515			
Three years later	616,676	658,457	678,555	702,541	640,002				
Four years later	621,163	665,339	685,796	718,539					
Five years later	623,182	669,138	690,873						
Six years later	625,726	670,619							
Seven years later	626,624								
Cumulative payments to-date	626,624	670,619	690,873	718,539	640,002	444,515	398,589	318,587	

36. Insurance risk (continued)

Net general insurance contract liabilities for 2021:

Group and Company Accident year	Before							Total RM'000
	2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	
At end of accident year	725,556	754,510	795,839	792,408	853,349	798,559	597,561	601,299
One year later	695,209	688,712	730,627	753,959	793,492	732,063	534,457	
Two years later	660,227	668,370	701,786	730,208	767,119	709,871		
Three years later	652,496	662,690	701,734	728,926	771,990			
Four years later	647,986	659,127	703,567	727,852				
Five years later	646,497	658,335	703,265					
Six years later	633,552	636,480						
Seven years later	629,686							
Current estimate of cumulative claims incurred	629,686	636,480	703,265	727,852	771,990	709,871	534,457	601,299
At end of accident year	346,145	349,673	399,332	420,136	424,354	405,388	282,149	250,264
One year later	561,016	558,268	604,072	621,758	646,438	575,984	411,254	
Two years later	600,813	597,759	641,438	661,529	686,605	613,701		
Three years later	613,145	616,676	658,457	678,555	702,541			
Four years later	619,870	621,163	665,339	685,796				
Five years later	622,744	623,182	669,138					
Six years later	624,936	625,726						
Seven years later	626,505							
Cumulative payments to-date	626,505	625,726	669,138	685,796	702,541	613,701	411,254	250,264

37. Financial risks

In addition to insurance risks, the Group and the Company are also subjected to financial risks namely credit risk, liquidity risk, market risk (comprising currency risk, interest rate risk and price risk) as well as operational risk arising from its exposure in financial instruments.

In this regard, the Group and the Company are guided by a framework of policies and procedures governing credit control and investments as well as general risk management policies in order to mitigate such financial risks. The Group and the Company have established robust processes to monitor and address these risks on an ongoing basis.

The policies and measures undertaken by the Group and the Company to manage these risks are as set out below:

Credit risk

Credit risk is the risk of a financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group and the Company monitor and manage credit risk exposures with the objective to ensure that it is able to meet policyholder obligations when they are due and maintain adequate capital and solvency requirements.

The Group's and the Company's primary exposure to credit risk arises through its receivables from sales of insurance policies, obligations of reinsurers through reinsurance contracts and its investment in fixed income securities, deposits and bank balances. The Company has put in place a credit control policy and investment policy as part of its overall credit risk management framework.

The task of monitoring receivables arising from insurance and reinsurance contracts is undertaken by the Credit Control Division of the Finance Department with oversight from the Credit Control Committee to ensure adherence to the Group's and the Company's credit control policies and procedures. These policies and procedures entail approval requirements for credit period extension for overdue receivables and cancellation processes. The Group and the Company also have guidelines to evaluate intermediaries before their appointment.

The Group and the Company manage the credit risk of its reinsurers by monitoring the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Group and the Company cede business to reinsurers that satisfy the minimum credit rating requirements of the Group and of the Company.

In relation to its credit risk exposure from fixed income securities, the Group and the Company evaluate and assess an issuer's credit risk by using the ratings assigned by external rating agencies. Proper monitoring and control of credit and concentration risks are carried out by the Investment Division of the Finance Department and regularly reviewed by the Investment Committee and Board of Directors. The Group and the Company manage individual exposures as well as concentration of credit risks in its fixed income portfolio through a prescribed framework of asset allocation, minimum credit rating, maximum duration as well as setting maximum permitted exposure to a single counterparty or group of counterparties.

Cash and deposits are placed with financial institutions licensed under the Financial Services Act, 2013 which are regulated by Bank Negara Malaysia, guided by the Company's approved exposure limits and minimum credit rating requirements for each financial institution.

At the end of the reporting period, there was no significant concentration of credit risks.

37. Financial risks (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	2022 RM'000	2021 RM'000
Group		
Reinsurance assets	955,295	1,230,219
Loans and receivables, excluding insurance receivables and prepayments	1,201,095	739,415
Insurance receivables	221,079	180,788
Cash and cash equivalents	331,821	138,527
	2,709,290	2,288,949
Company		
Reinsurance assets	955,295	1,230,219
Loans and receivables, excluding insurance receivables and prepayments	1,178,373	739,415
Insurance receivables	221,079	180,788
Cash and cash equivalents	232,411	138,527
	2,587,158	2,288,949

Credit exposure by credit rating

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

	Not past due RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
Group				
2022				
Reinsurance assets	955,295	-	-	955,295
Loans and receivables, excluding insurance receivables and prepayments	1,201,095	-	34	1,201,129
Insurance receivables	203,797	17,282	1,196	222,275
Cash and cash equivalents	331,821	-	-	331,821
	2,692,008	17,282	1,230	2,710,520
Impairment allowance	-	-	(1,230)	(1,230)
	2,692,008	17,282	-	2,709,290

37. Financial risks (continued)

Credit exposure by credit rating (continued)

	Not past due RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
Company				
2022				
Reinsurance assets	955,295	-	-	955,295
Loans and receivables, excluding insurance receivables and prepayments	1,178,373	-	34	1,178,407
Insurance receivables	203,797	17,282	1,196	222,275
Cash and cash equivalents	232,411	-	-	232,411
	2,569,876	17,282	1,230	2,588,388
Impairment allowance	-	-	(1,230)	(1,230)
	2,569,876	17,282	-	2,587,158
Group and Company				
2021				
Reinsurance assets	1,230,219	-	-	1,230,219
Loans and receivables, excluding insurance receivables and prepayments	739,415	-	34	739,449
Insurance receivables	170,498	10,290	2,307	183,095
Cash and cash equivalents	138,527	-	-	138,527
	2,278,659	10,290	2,341	2,291,290
Impairment allowance	-	-	(2,341)	(2,341)
	2,278,659	10,290	-	2,288,949

37. Financial risks (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying assets according to the Rating Agency of Malaysia's, Malaysian Rating Corporation Berhad's, A.M. Best Company Rating Services' or Standard and Poor's Rating Services' (where applicable) credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB RM'000	B RM'000	Not-rated RM'000	Total RM'000
2022								
Reinsurance assets	-	76,560	580,871	-	-	-	297,864	955,295
Loans and receivables, excluding insurance receivables and prepayments	493,347	566,000	105,502	-	-	-	36,246	1,201,095
Insurance receivables	-	114	31,306	-	1,094	-	188,565	221,079
Cash and cash equivalents	296,285	34,838	669	-	-	-	29	331,821
	789,632	677,512	718,348	-	1,094	-	522,704	2,709,290
Company								
2022								
Reinsurance assets	-	76,560	580,871	-	-	-	297,864	955,295
Loans and receivables, excluding insurance receivables and prepayments	483,345	566,000	105,502	-	-	-	23,526	1,178,373
Insurance receivables	-	114	31,306	-	1,094	-	188,565	221,079
Cash and cash equivalents	196,875	34,838	669	-	-	-	29	232,411
	680,220	677,512	718,348	-	1,094	-	509,984	2,587,158
Group and Company								
2021								
Reinsurance assets	-	87,227	853,906	-	-	-	289,086	1,230,219
Loans and receivables, excluding insurance receivables and prepayments	305,467	348,000	65,498	-	-	-	20,450	739,415
Insurance receivables	-	147	138	-	310	-	180,193	180,788
Cash and cash equivalents	118,841	17,191	2,465	-	-	-	30	138,527
	424,308	452,565	922,007	-	310	-	489,759	2,288,949

37. Financial risks (continued)

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

	1 - 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	>90 days RM'000	Total RM'000
2022					
Insurance receivables	9,204	2,816	2,732	2,530	17,282
2021					
Insurance receivables	4,975	1,611	2,651	1,053	10,290

Impaired financial assets

At 31 December 2022, based on a collective and individual assessment of receivables, there are impaired insurance receivables of RM1,196,000 (2021: RM2,307,000). The Group and the Company record impairment allowance for loans and receivables and insurance receivables in separate "Allowance for impairment" accounts. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	Insurance receivables		
	Individual Impairment RM'000	Collective Impairment RM'000	Total RM'000
Group and Company			
At 1 January 2021	1,367	574	1,941
Amount written off	(22)	-	(22)
Movement during the year	359	29	388
At 31 December 2021/1 January 2022	1,704	603	2,307
Amount written off	(840)	-	(840)
Movement during the year	(160)	(111)	(271)
At 31 December 2022	704	492	1,196

Liquidity risk

Liquidity risk is the risk that the Group and the Company are unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive costs in meeting the obligations. 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 and the Company manage this risk by monitoring daily cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Group and the Company also observe principles on asset-liability management and ensure that the average investment duration and maturity profiles match the Group's and the Company's liabilities.

The Group's and the Company's treaty reinsurance contracts contain a "cash call" clause which enables the Group and the Company to call for advance payment from reinsurers in the event of a large claim exceeding an agreed amount.

37. Financial risks (continued)

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on the estimated timing of cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

Group	Carrying value RM'000	Discount rate RM'000	Contractual cash flow RM'000	Up to a year RM'000	1 - 3 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
2022							
Insurance contract liabilities	1,778,815	-	1,778,815	1,261,747	453,583	58,783	4,702
Lease liabilities	31,548	7.6% to 9.5%	35,265	9,069	17,892	7,396	908
Other financial liabilities	32,347	-	32,347	32,347	-	-	-
Insurance payables	114,802	-	114,802	114,802	-	-	-
Other payables	182,072	-	182,072	182,072	-	-	-
Total liabilities	2,139,584		2,143,301	1,600,037	471,475	66,179	5,610
Company							
2022							
Insurance contract liabilities	1,778,815	-	1,778,815	1,261,747	453,583	58,783	4,702
Lease liabilities	31,548	7.6% to 9.5%	35,265	9,069	17,892	7,396	908
Other financial liabilities	32,347	-	32,347	32,347	-	-	-
Insurance payables	114,802	-	114,802	114,802	-	-	-
Other payables	106,252	-	106,252	106,252	-	-	-
Total liabilities	2,063,764		2,067,481	1,524,217	471,475	66,179	5,610

37. Financial risks (continued)

Maturity profiles (continued)

Group and Company	Carrying value RM'000	Discount rate RM'000	Contractual cash flow RM'000	Up to a year RM'000	1 - 3 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
2021							
Insurance contract liabilities	1,956,137	-	1,956,137	1,376,316	525,532	50,108	4,181
Lease liabilities	36,265	7.6% to 9.5%	41,186	10,200	16,322	13,513	1,151
Other financial liabilities	25,746	-	25,746	25,746	-	-	-
Insurance payables	166,712	-	166,712	166,712	-	-	-
Other payables	109,215	-	109,215	109,215	-	-	-
Total liabilities	2,294,075		2,298,996	1,688,189	541,854	63,621	5,332

37. Financial risks (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, i.e. foreign exchange rates (currency risk), market interest rates/profit yields (interest rate/profit yield risk) and market prices (price risk).

The Group and the Company manage its market risk by setting policies on asset allocation, investment limits and diversification benchmarks. These policies have been set in line with the Group's and the Company's investment and risk management policies and in compliance with regulatory requirements in respect of maintenance of assets and solvency.

Investment in derivatives is prohibited, unless specifically approved.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As the Group's and the Company's business is conducted primarily in Malaysia, the Group's and the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and denominated in the same currency as its insurance and investment contract liabilities.

The Group's and the Company's primary transactions are carried out in Ringgit Malaysia ("RM"), with no significant exposure to foreign currency risks.

Interest rate/profit yield risk

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

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

The Group's and the Company's exposure to interest rate risk arises primarily from investments in fixed income securities, deposits with licensed institutions and lease liabilities.

The Group and the Company have no significant concentration of interest rate/profit yield risk.

As the Group and the Company mainly invest in fixed rate instruments, the impact on profit before tax arising from exposure to interest rate/profit yield risk is insignificant.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group 2022 RM'000	Company 2022 RM'000	Group and Company 2021 RM'000
Fixed rate instruments			
Fixed and call deposits	1,387,617	1,339,634	826,488
Lease liabilities	(31,548)	(31,548)	(36,265)
	1,356,069	1,308,086	790,223

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account the fixed and cash deposits and lease liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss. The AFS financial assets are accounted at fair value through other comprehensive income. The effects of change in interest rates are disclosed in price risk disclosure (see page 143).

37. Financial risks (continued)

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's exposure to price risk arises from its investment in quoted equities traded on Bursa Malaysia, government investment issues, government guaranteed bonds and corporate debt securities.

The Group and the Company manage its exposure to price risk by setting policies and investment parameters governing asset allocation and investment limits as well as specific review by the Investment Committee for equity investments falling by 20% or more of its cost.

The Group and the Company have no significant concentration of price risk.

The analysis below is performed for reasonable possible movements in equity market price or interest rate with all other variables held constant, showing the impact of statement of comprehensive income and equity (due to changes in fair value of AFS financial assets).

	Change in variables	2022		2021	
		Impact on income statement RM'000	Impact on equity* RM'000	Impact on income statement RM'000	Impact on equity* RM'000
Group					
Market price	+10%	-	11,546	-	23,464
Market price	-10%	-	(11,546)	-	(23,464)
Company					
Market price	+10%	-	11,546	-	23,464
Market price	-10%	-	(11,546)	-	(23,464)

	Change in variables	2022		2021	
		Impact on income statement RM'000	Impact on equity* RM'000	Impact on income statement RM'000	Impact on equity* RM'000
Group					
Interest rate	+25 basis points	-	(3,078)	-	(2,788)
Interest rate	-25 basis points	-	3,078	-	2,788
Company					
Interest rate	+25 basis points	-	(3,078)	-	(2,788)
Interest rate	-25 basis points	-	3,078	-	2,788

*Impact on equity reflects adjustments for tax effect, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

37. Financial risks (continued)

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 Company cannot expect to eliminate all operational risks.

The Company mitigate operational risks by putting in place a framework for controls and procedures, which includes the establishment of a Company Risk Profile, an Internal Control Programme, as well as Business Process Management ("BPM") documenting procedures as well as work instructions, encapsulating effective segregation of duties, access controls, authorisation and reconciliation procedures. Regional and internal audits also play a role in ensuring that operational risks are mitigated.

External events such as interruption of business operation due to disasters may disrupt working environment, facilities and personnel. The Company has developed a Business Continuity Management Framework ("BCM") in line with Bank Negara Malaysia requirements (BNM/RH/PD 028-126 Business Continuity Management Policy Document) with the objectives of protecting the business, customers, and all stakeholders by addressing and minimising serious interruption to the business through a structured framework of business and systems recovery plans in the event of a disaster.

As insurance industry is also observing increasing incidents of cyber-attacks. Cyber risk has become a material risk focus for potential operational failure and business interruption to organisations. The Company has implemented information security risk control as well as put in place the Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF) outlining technology risk control and cyber risk control in alignment with Bank Negara Malaysia expectation (BNM/RH/PD 028-98 Risk Management in Technology) to ensure business resiliency against cyber-attacks.

Fair value information

It is not practicable to estimate the fair value of the Group's and of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amount of fixed and call deposits with financial institution, cash and bank balances, short-term receivables and short-term payables reasonably approximate their fair value due to relatively short-term nature of these financial instruments.

37. Financial risks (continued)

Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2022								
Financial assets								
AFS Financial assets								
Equity securities in corporations:								
Quoted in Malaysia	151,915	-	-	-	-	-	151,915	151,915
Unquoted equity	-	-	-	-	602	-	602	602
Unit trust and collective investment scheme	312,045	-	-	-	-	-	312,045	312,045
Corporate and government bonds	13,072	1,674,712	-	-	-	-	1,687,784	1,687,784
	477,032	1,674,712	-	-	602	-	2,152,346	2,152,346
Company								
2022								
Financial assets								
AFS Financial assets								
Equity securities in corporations:								
Quoted in Malaysia	151,915	-	-	-	-	-	151,915	151,915
Unquoted equity	-	-	-	-	602	-	602	602
Unit trust and controlled structured entities	2,046,141	-	-	-	-	-	2,046,141	2,046,141
	2,198,056	-	-	-	602	-	2,198,658	2,198,658

37. Financial risks (continued)

Fair value information (continued)

Group and Company

2021

Financial assets

AFS Financial assets

Equity securities in corporations:

Quoted in Malaysia

Unit trust and controlled structured entities

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
308,742	-	-	-	-	-	-	308,742	308,742
2,279,515	-	-	-	-	-	-	2,279,515	2,279,515
2,588,257	-	-	-	-	-	-	2,588,257	2,588,257

37. Financial risks (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2021: no transfer in either directions).

38. Regulatory capital requirements

The Company's Internal Capital Adequacy Assessment Process ("ICAAP") Framework is in place to manage and maintain capital adequacy level that commensurate with its risk profile at all times and to ensure that adequate capital resources are available to maintain Capital Adequacy Ratio ("CAR") above Individual Target Capital Level ("ITCL") and Supervisory Level.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum Capital Adequacy Ratio of 130%. As at year end, the Company has a Capital Adequacy Ratio in excess of the minimum requirement.

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

		Company	
	Note	2022	2021
		RM'000	RM'000
Eligible Tier 1 Capital			
Share capital	15	1,511,546	1,511,546
Reserves, excluding fair value reserve		1,671,623	1,574,695
		3,183,169	3,086,241
Tier 2 Capital			
Eligible reserves – Fair value reserve		(21,264)	4,873
Amount deducted from capital		(1,167,829)	(1,160,967)
Total capital available		1,994,076	1,930,147

39. Financial penalty imposed by the Malaysia Competition Commission (“MyCC”)

On 25 September 2020, MSIG Insurance (Malaysia) Bhd (“MSIG”) has received a Notice of Finding of An Infringement (“Final Decision”) by MyCC under Section 40 of the Competition Act 2010. In MyCC’s Final Decision dated 14 September 2020, MyCC has concluded that MSIG together with 21 other members of PIAM have infringed Section 4 of the Competition Act 2010 by participating in an agreement which has, as its object, the prevention, restriction or distortion in relation to the market of motor spare parts trade and labour charges for PIAM Approved Repairers Scheme workshops from 1 January 2012 to 17 February 2017. MyCC has imposed a financial penalty of RM16,079,513 on MSIG for the alleged infringement.

MSIG’s appointed solicitors, had on 14 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal (“CAT”) against MyCC’s Final Decision and filed a Stay Application with CAT for the grant of a stay of MyCC’s Final Decision on 27 October 2020 in respect of the financial penalty of RM16,079,513 imposed on MSIG.

On 02 September 2022, the CAT unanimously allowed the appeals filed by PIAM and the insurers (including MSIG). MyCC’s entire Final Decision dated 14 September 2020 is thus set aside and the CAT did not make any orders as to costs. On 06 December 2022, MyCC applied to the High Court to try to obtain leave to commence judicial proceedings against the CAT’s decision which set aside MyCC’s Final Decision and the hearing date for MyCC’s said leave application is 08 May 2023.

As the case is still ongoing, MSIG has continued to maintain the provision made of RM16,079,513 in the previous financial year ended 31 December 2020.

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

In the opinion of the Directors, the financial statements set out on pages 64 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Dato' Muthanna bin Abdullah
Director

.....
Mr. Lim Tiang Siew
Director

Kuala Lumpur
Date: 22 March 2023

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

I, **Soh Lai Sim**, the Officer primarily responsible for the financial management of MSIG Insurance (Malaysia) Bhd, do solemnly and sincerely declare that the financial statements set out on pages 64 to 148 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Soh Lai Sim at Kuala Lumpur in the Federal Territory on 22 March 2023.

.....
Soh Lai Sim

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSIG INSURANCE (MALAYSIA) BHD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MSIG Insurance (Malaysia) Bhd, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 148.

In our opinion, the accompanying financial statements 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 year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, 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 Group and of the Company are responsible for the preparation of 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 ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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.
- 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 ability of the Group or of the Company 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.
- 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 gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in note 8(a) to the financial statements.

Other Matter

This report is made solely to the members 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.

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Petaling Jaya

Date: 22 March 2023

Mok Wan Kong

Approval Number: 02877/12/2024 J

Chartered Accountant



MSIG Insurance (Malaysia) Bhd

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