

VAST

IS THE POTENTIAL



WIDE

IS OUR STRIDE

2021 ANNUAL REPORT



Insurance
that sees
the heart
in everything

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

A great team sees a mile of possibilities.
A strongly rooted company makes the best
out of every situation to leverage every opportunity.
That's MSIG Malaysia.

Pushing the envelope of possibilities where
we see avenue to grow, taking the business
ahead for the future.





CONTENTS

| |
|--|
| 04 - Directors' Profile |
| 09 - Corporate Information |
| 10 - Senior Management |
| 12 - Financial Highlights |
| 14 - Chairman's Statement |
| 25 - Penyata Pengerusi |
| 37 - Directors' Report |
| 54 - Statement of Financial Position |
| 55 - Statement of Profit or Loss and Other Comprehensive Income |
| 57 - Statement of Changes in Equity |
| 58 - Statement of Cash Flows |
| 60 - Notes to the Financial Statements |
| 125 - Statement by Directors |
| 126 - Statutory Declaration |
| 127 - Independent Auditors' Report |

DIRECTORS' PROFILE



Dato' Mohd. Sallehuddin bin Othman



Dato' Mohd. Sallehuddin bin Othman joined MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director in 2005 and was appointed 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 the Malaysia Institute of Accountants since 1981 and became a Fellow member of ACCA in 1983.

Dato' Mohd. Sallehuddin began his career with brief stints at various audit firms in Malaysia and the 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. In addition to MSIG Insurance (Malaysia) Bhd, 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.

Presently, Dato' Mohd. Sallehuddin serves as a member of the Board Audit and Investment Committees of the Company.



Pearl Chan Siew Cheng

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, Ms. Chan 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 a 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 Nominations and Investment Committees and is a member of the Remuneration and Compliance & Risk Management Committees of the Company.

Dato' Muthanna bin Abdullah

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, Sapura Resources Berhad, MSM Malaysia Holdings Berhad, IHH Healthcare Berhad, Malaysian Life Reinsurance Group Berhad, Malaysian Rating Corporation Berhad and a Trustee of Yayasan Siti Sapura and of the Habitat Foundation.

Presently, Dato' Muthanna serves as Chairman of the Board Compliance & Risk Management Committee and is a member of the Board Audit, Nominations, Remuneration and Investment Committees of the Company.



Iichiro Sadamoto

Mr. Iichiro Sadamoto joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 1 October 2017. He is currently the Managing Director of Toyota Tsusho (Malaysia) Sdn Bhd. Prior to this, 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 27 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.

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

Lim Tiang Siew

Mr. Lim Tiang Siew joined MSIG Insurance (Malaysia) Bhd as 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.

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 become 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 2 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 also an Independent Non-Executive Director of Sapura Energy Berhad, Chairman of its Board Audit Committee and a member of its Board Risk Committee.



Gan Bee Lan

Ms. Gan Bee Lan joined the Board of MSIG Insurance (Malaysia) Bhd on 15 August 2020 as 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.

In January 2016 until July 2018, Ms. Gan joined the Regional Holding Company (RHC) in Singapore as Head of ICT/Consulting Advisor to 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 is a member of the Board Audit and Compliance & Risk Management Committees of the Company.

Loh Guat Lan

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), Customer Service Management (CSM) and Life Office Management Association (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms. Loh has over 32 years of 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 with 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 and a Board Member of the Financial Industry Collective Outreach (FINCO).



Alan John Wilson

Mr. Alan Wilson has been the Chief Executive Officer of Singapore-based MSIG Asia Pte. Ltd. (formerly known as MSIG Holdings (Asia) Pte. Ltd.) since 2008. He also serves as Chairman or Director on the boards (or equivalent) of 19 MSIG related entities around the region, including Chairman of MSIG Berhad. Under Mr. Wilson's leadership, the MSIG network in Asia has expanded to 14 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.

BOARD NOMINATIONS COMMITTEE

Chairman: Pearl Chan Siew Cheng
Members: Dato' Muthanna bin Abdullah
Iichiro Sadamoto
Alan John Wilson

BOARD REMUNERATION COMMITTEE

Chairman: Iichiro Sadamoto
Members: Dato' Muthanna bin Abdullah
Pearl Chan Siew Cheng

BOARD COMPLIANCE & RISK MANAGEMENT COMMITTEE

Chairman: Dato' Muthanna bin Abdullah
Members: Pearl Chan Siew Cheng
Iichiro Sadamoto
Lim Tiang Siew
Gan Bee Lan

BOARD AUDIT COMMITTEE

Chairman: Lim Tiang Siew
Members: Dato' Mohd. Sallehuddin bin Othman
Dato' Muthanna bin Abdullah
Iichiro Sadamoto
Gan Bee Lan

BOARD INVESTMENT COMMITTEE

Chairman: Pearl Chan Siew Cheng
Members: Dato' Mohd. Sallehuddin bin Othman
Dato' Muthanna bin 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

Yoshihiro Okamoto
Bachelor of Laws

Toshihiro Kuroi
Master of Economics

Ken Shinagawa
Bachelor of Commerce

Yusuke Ida
Bachelor of Economics



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 MANAGEMENT



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
Compliance & Enterprise Risk
Management

Chin Kong Meng

CA (M), FCPA (Aust), CFP



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
Agency

Teoh Guan Huat

MBA, ANZIIF (Snr Assoc) CIP, DMII

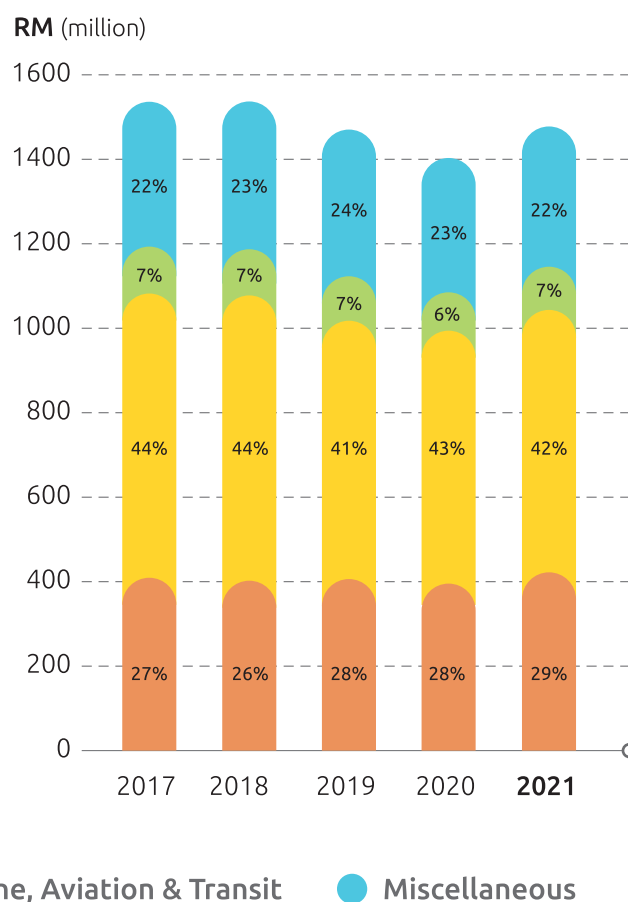


SENIOR VICE PRESIDENT
Customer Experience,
Business Excellence & Marketing

Jean Wong Siew Hong

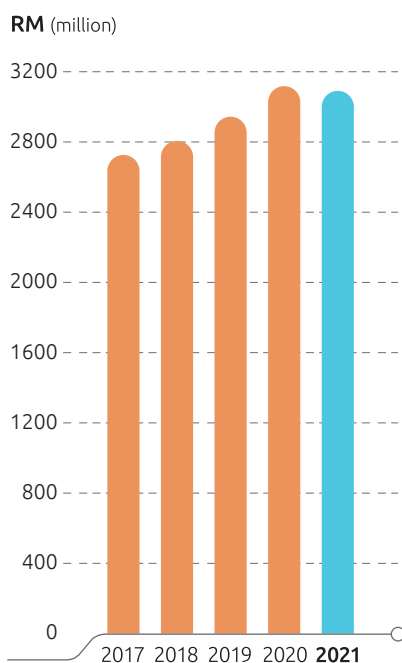
*Bachelor of Business,
ANZIIF (Assoc)*

FINANCIAL HIGHLIGHTS

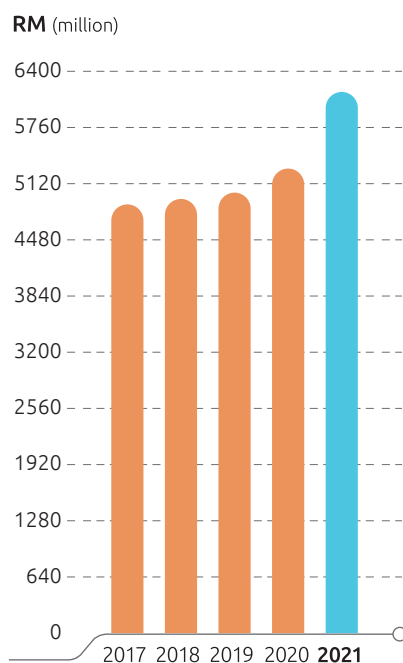
COMPOSITION OF 2021
GROSS WRITTEN PREMIUM
TOTAL: RM1.5 BILLION

| | RM'000 | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Year Ended 31 December | 2017 | 2018 | 2019 | 2020 | 2021 |
| Paid-up Share Capital | 1,511,546 | 1,511,546 | 1,511,546 | 1,511,546 | 1,511,546 |
| Total Equity | 2,725,511 | 2,805,726 | 2,943,664 | 3,117,850 | 3,091,114 |
| Total Assets | 4,883,740 | 4,946,486 | 5,018,277 | 5,292,289 | 6,165,155 |
| Gross Written Premium | 1,536,673 | 1,536,931 | 1,470,388 | 1,403,123 | 1,477,731 |
| Net Premium | 1,248,539 | 1,257,240 | 1,193,634 | 1,130,377 | 1,133,766 |
| Underwriting Results | 184,061 | 104,010 | 173,039 | 254,165 | 246,065 |
| Investment & Other Income | 124,944 | 108,321 | 118,890 | 117,594 | 97,597 |
| Profit Before Taxation | 309,005 | 212,331 | 291,929 | 371,759 | 343,662 |
| Profit After Taxation | 243,845 | 177,766 | 235,616 | 290,589 | 280,047 |
| Earning Per Share (RM) | 0.73 | 0.53 | 0.71 | 0.87 | 0.84 |
| NTA Per Share (RM) | 4.73 | 4.97 | 5.39 | 5.92 | 5.84 |
| Total Workforce | 1,155 | 1,118 | 1,101 | 1,088 | 1,043 |

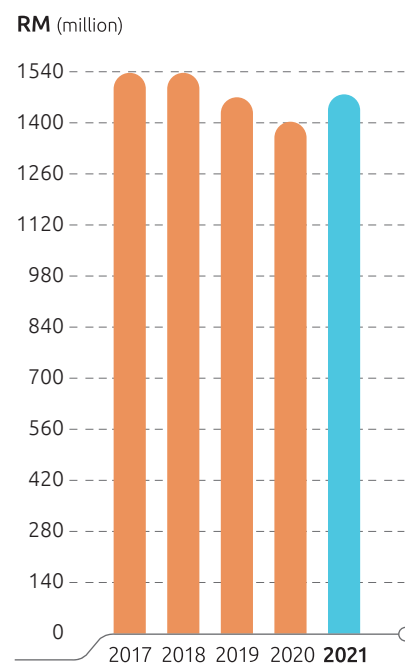
TOTAL EQUITY



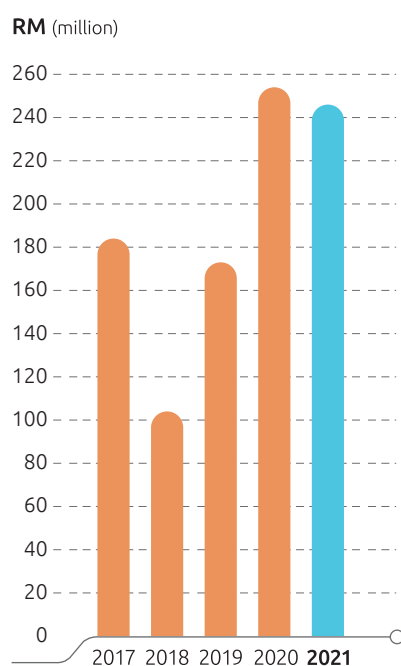
TOTAL ASSETS



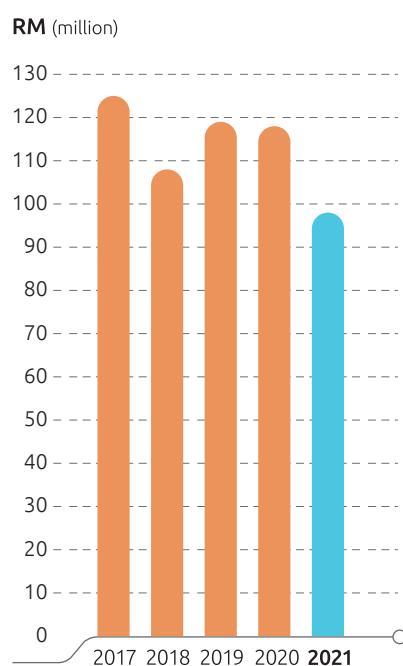
GROSS WRITTEN PREMIUM



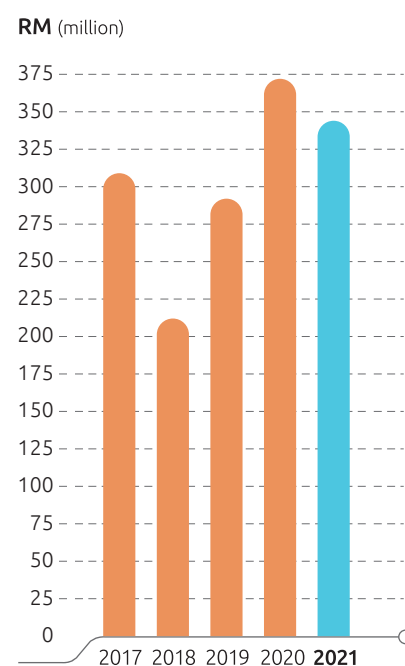
UNDERWRITING RESULTS



INVESTMENT & OTHER INCOME



PROFIT BEFORE TAXATION



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 2021.



2021 annual report

FINANCIAL REVIEW

The Company recorded a Profit After Tax in 2021 of RM280 million, compared to the preceding year of RM290.6 million. Earnings per share is reported at 84.1 sen versus the preceding year at 87.2 sen.

Gross Written Premium (GWP) closed at RM1.5 billion which recorded a strong growth of 5.3% or RM74.6 million against a backdrop of uncertainty brought about by the COVID-19 pandemic. Growth was recorded from Commercial Property (RM26.5 million), Marine (RM15.3 million), Commercial Motor (RM12.1 million) followed by Personal Motor (RM10.3 million) classes of business. This growth is the result of well executed strategies and the Company's commitment to achieve the plan by securing new accounts, implementation of a competitive and robust pricing strategy as well as a focused strategy on certain classes of businesses and products. The continued investment in digitalisation expanded the online business and alternative distribution channels which further accelerated GWP growth.

In the General Insurance industry, MSIG Insurance (Malaysia) Bhd ranked No. 3 in market position as one of the leading general insurers in Malaysia.

No. 3
Market Position

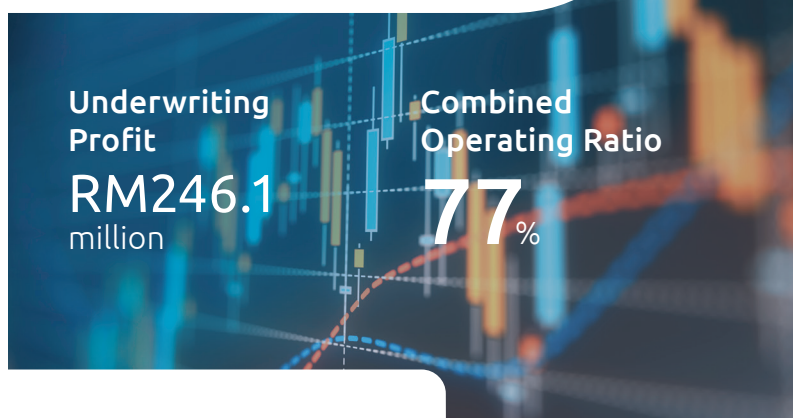
Gross
Written Premium
RM1.5
billion

Profit
After Tax
RM280
million

Earnings
Per Share
84.1
sen

Underwriting Profit

The Company's Underwriting Profit of RM246.1 million was lower by RM8.1 million (3.2%) against 2020. The Company's Combined Operating Ratio at a record low of 77% in 2021 compared favourably to the 77.8% in 2020.



Claims were higher mainly due to the catastrophic flood event in December 2021 which impacted the Property, Marine and Motor classes of business. Excluding this catastrophic event, claims were lower especially from Personal Motor where there were lesser vehicles travelling on the roads during the lockdown period as well as from low Travel and Healthcare claims.

Total Assets

RM6.2
billion

Total Investments

RM3.4
billion

Total Investment & Other Income

RM97.6
million

Total Investments & Total Assets

The Company's total investments continued to grow in size to RM3.4 billion; an increase of RM70.5 million. Investment income decreased by RM16.1 million, resulting from the overall low interest rate environment. The Company registered a realised investment profit of RM14.0 million but suffered an investment impairment of RM5.9 million on its Equity portfolio. The Company's total investment and other income amounted to RM97.6 million.

This year's performance has enabled the Company to achieve a Profit Before Tax of RM343.7 million and Profit After Tax of RM280.0 million, reflecting a net earnings per share of 84.1 sen. The Company has shown its resilience in generating good profits despite the COVID-19 pandemic and its adverse impact on both the global and Malaysian economy.

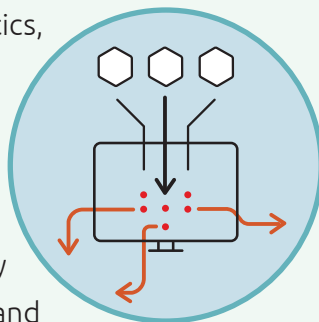
Total Assets, including Goodwill, stood at RM6.2 billion as at financial year ended 2021, a notable increase of RM872.9 million from RM5.3 billion.

Analytics and Automation



Actuarial Monitoring System (AMS)

In 2021, the Actuarial Monitoring System (AMS) has continued to evolve by improving our data collection, analytics, navigation and has expanded its application through many products and classes of business. This allowed the Company to enhance the products and align to customer needs as well as to focus on targeted segments.



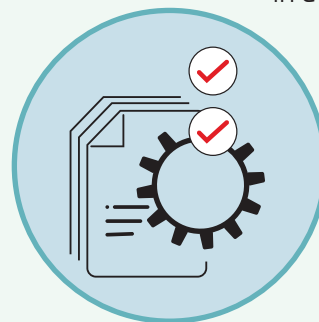
Data Management Framework

The Company continued the development of the enterprise-wide Data Management Framework which streamlined the data, pricing, management information and optimise initiatives to support GWP growth, improve profitability and drive operational efficiency. More importantly, the framework aided overall compliance and governance that provided the sound foundation to launch other initiatives.



Robotic Process Automation (RPA)

A practical technology put to use last year was Robotic Process Automation (RPA), a key business transformation initiative to streamline and automate processes that are time-consuming. By automating these processes, the RPA aimed to reduce turnaround time and achieved resource efficiency. It was a goal successfully realised in a number of key functional tasks such as processing claims documents, and in one case study reducing turnaround time by almost half while maintaining the expected output.



Ultimately, the results have been favourable and will continue to positively impact staff and efficiency.





Improving Claims

The claims process saw several important enhancements, particularly in improving customer experience with reduced turnaround time through integrated payment automation while being vigilant for fraud.

Fast-track Claims

The Claims Management System is being enhanced to identify the product and parameters for fast-track claims. A vital step towards a better claims experience for our service providers and policyholders is to ensure that there is a functional bridge, often referred to as an Application Programming Interface (API), for the identified products, especially in the cases of large volume transactions.

Fraud Detection

Fraud detection capabilities has similarly been upgraded within the Claims Management System (CMS) with many common red flags programmed into the system for detection as early as the first claims data entry into the CMS. This has facilitated the Claims department in mitigating fraud claims with greater efficiency and, in turn, leads to better performance in that regard.



Product & Services Enhancement



The many improvements made to our systems and processes have led to a better understanding of the needs and concerns of the public-at-large, awareness for affordable and targeted health insurance being a concern brought about by current events.

Lump-sum financial assistance for the early and critical stages

EZ Plus Critical Care and EZ Critical Care

Designed to cover the 4 most common critical illnesses that are claimed for in Malaysia based on current market data. EZ Plus Critical Care and its more affordable MSIG Take It Easy (TIE) platform-exclusive, EZ Critical Care, provide lump-sum financial assistance for the early and critical stages related to heart, brain and kidney issues, as well as cancer (or only kidney and cancer related for the more affordable plans).

Cancer Care 365 and EZ Cancer Care 365

A specific Critical Illness cover for cancer treatment. Cancer Care 365 and the online-only EZ Cancer Care 365 provide financial protection from cancer and includes additional assistance for gender-specific cancers. Most importantly, claims can be made at the early stages, giving policyholders peace of mind so they can focus on recovering.

Provide financial protection from cancer and includes additional assistance for gender-specific cancers

Claims made at the early stages

Personal Accident coverage for driver and passenger and allowances for a variety of situations

Commercial Motor Plus

Following in the footsteps of the very successful packaged motor product, MSIG Motor Plus, Commercial Motor Plus was introduced to provide great value to small and medium enterprises which relied on their fleets to keep their businesses running. Providing Personal Accident coverage for driver and passenger as well as allowances for a variety of situations.

Prime PA

Our flagship PA product received enhancements to bring our most comprehensive Personal Accident cover with a renewal bonus to a wider target audience at a more affordable premium.

**Renewal
bonus**

**Affordable
premium**

**Accident repair
allowance when car
is undergoing repair
in the workshop**

Motor Add-On

2021 saw the revamp of many of our most popular Add-On, as well as a new coverage called Accident Repair Allowance that gave policyholders a one-off amount when their car is undergoing repairs in the workshop.

**Daily hospitalisation
benefit covers
COVID-19 and
Dengue**

Non-Motor Add-On

Giving value to our home insurance products, the Home Insurance Add-On Hospitalisation Inconvenience Benefit sees that accidents in the home are quickly taken care of with minimal financial fuss with a daily hospitalisation benefit that covers COVID-19 and Dengue as well.

The Hospitalisation Cash Benefit for COVID-19/Dengue Personal Accident Add-On which also paid out a hospitalisation benefit if the insured is hospitalised for COVID-19 and Dengue, was revamped to keep up with updated standard operating procedure (SOP) which no longer mandated quarantine at a quarantine centre.



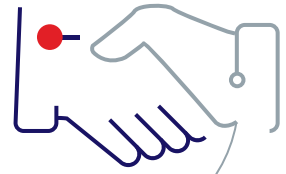
Perlindungan Tenang Vouchers

In 2021, the government rolled out a RM100 million initiative called Perlindungan Tenang Vouchers. These were RM50 insurance vouchers given to each eligible B40 citizen to claim towards a microinsurance product. **In this regard, the Company's Mini PA Insurance provided crucial Personal Accident insurance coverage to over 160,000 of the B40 community.** Since then the product has been adjusted to better create shared value between the Company and the local communities.



Digitalisation

The previous year saw a greater demand for digitalisation from almost every sector, resulting in an increased reliance on digital platforms for information, on-boarding and payment. The Company took the opportunity to partner with established platforms as well as new collaborations.



Cross-promoting with Hong Leong Assurance across digital channels

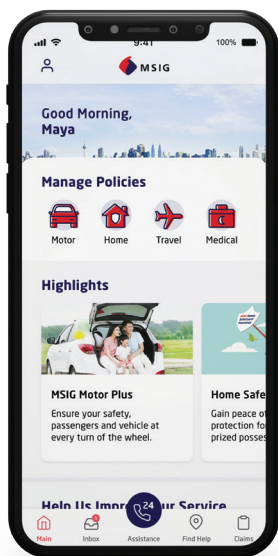
Successful partnership with Touch 'n Go

HLB Cross-promotion

The Company partnered with Hong Leong Assurance (HLA) to cross-promote products across both of their digital channels. MSIG Online began to feature HLA's life insurance offerings, while HLA's digital portal displayed the comprehensive general insurance offerings of Motor, Critical Illness, Travel and Lifestyle products.

Touch 'n Go

The Company has a successful partnership with Touch 'n Go, being one of the insurance providers for its in-app motor insurance offerings.



MY MSIG App

The MY MSIG App was brought to market in 2021 with the objective to improve customer centricity, primarily in the form of self-service capabilities for real-time information. It would additionally increase customer engagement by way of touchpoints across the insurance life cycle, for example new product announcements, a search function to find panel hospitals and workshops, and timely reminders for insurance renewal.

The app also puts the claims experience in the hand of the policyholder, guiding them through from the document submission process to the end of the claims journey. Intermediaries would also be able to devote more time to helping their customers knowing that they are able to access their claims status in real time. Eventually, the claims process will also include the capability to provide photo and video evidence collection at the scene to further improve the customer claims experience, while helping to detect and prevent claims fraud at notification of claims.

It is a notable step forward in improving the insurance process for policyholders, intermediaries and the Company. Furthermore, it provides a springboard for better functionality and additional touchpoints.



Workspace Agility



In response to the fluidity of government recommended SOPs, the Company has made sure that it will continue to function seamlessly in all situations, enhancing and securing Work from Home (WFH) capabilities and extending it to a larger proportion of the workforce. More staff were equipped with Company laptops and WFH access, and through modern-day systems such as Office 365 and other collaboration tools, meetings and team efforts could take place while maintaining a safe physical distance.

Awards & Recognition



At the MSIG Asia Awards 2021, the Company was awarded 1st prize for the Innovation Award for the COVID-19/Dengue Personal Accident Add-On. Created to ease the financial burden of policyholders affected by COVID-19 as well as the rising Dengue cases, it would financially aid the insured with a daily hospital cash benefit or lump sum allowance if affected by either event.

The Company was also honoured to have won third place in the MSIG regional Star of Excellence category, reserved for the top-performing Business Unit in the region.

**Innovation Award
1st Prize
for COVID-19/Dengue
Personal Accident
Add-On**



Sustainability



Local Community Support

UN SDG 11: Sustainable Cities and Communities

2021 held many challenges for Malaysians, with many affected by COVID-19 regulations and the resulting loss of jobs. The year ended with floods that displaced many while damaging property and their livelihood.

Mercy Malaysia and PIAM CSR Relief Fund

In January 2021, the Company stepped in to join the Financial Industry Collective Outreach (FINCO) and partner companies with a RM10,000 donation to Mercy Malaysia for the provision of food and daily essentials to those affected. The Company also contributed to the Persatuan Insurans Am Malaysia (PIAM) CSR Relief Fund, aimed at easing the burden of vehicle owners affected by the floods at the end of 2021.



ACT OF KINDNESS

The Act of Kindness initiative was expanded with head office and branch-led contributions amounting to RM147,681 to various children's homes, medical care associations, disaster relief and community care centres, skill training centres, and organisations relating to the sustainability of the environment. Donations took the form of cash and in-kind contributions of groceries, toys, books, household appliances, toiletries, health-related items and even refurbished laptops to help the B40 communities keep up to date with the changing societal and educational needs.

Food Aid Foundation



The landmark contribution, however, took the form of a Ringgit-for-Ringgit donation to Food Aid Foundation (FAF), a non-governmental organisation (NGO) that previously repurposed leftovers from hotels and restaurants to provide for the needy but has adapted with the times to provide food baskets and daily essentials for those affected by COVID-19 and the floods. Under the 'Pledge A Difference' initiative, the Company had raised a total of RM103,625 whereby the sum was a combined contribution of the Company's donation of RM50,000, the public's generosity of RM23,625 and to this initiative, a Ringgit-for-Ringgit match-up that eventually saw the Company contributing a further RM30,000.

Climate Change

UN SDG 13: Climate Action

This was the year that the Company established its internal Climate Change Taskforce (CCT), a cross-functional working group to drive the integration of climate-related considerations in our business activities. Taking on the initiative whole-heartedly, the theme of Embrace, Enable and Evolve has been set as a guiding principle.

KEY STRATEGIES OF CLIMATE CHANGE TASKFORCE

- **Enterprise-wide integration of climate change considerations in risk assessment, reporting and capacity building**
- **Restricting underwriting and investment on coal-based power generating business**
- **Strengthening the use of taxonomy and other relevant tools for better climate risk understanding and target setting**
- **Developing green and sustainable products to facilitate orderly climate transition**
- **Understanding our carbon footprint to accelerate our carbon reduction effort**

As a first step among many, the Company acquired internationally recognised renewable energy certificates (i-Rec) to offset and support the transition towards clean and renewable energy. An i-Rec is a type of Energy Attribute Certificate (EAC) that represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources.

Biodiversity

UN SDG 13: Climate Action

In continual support of the regional sustainable focus of biodiversity and our steadfast partnership with the Malaysian Nature Society (MNS), the Company contributed to the planting of an additional 1,050 mangrove saplings across Malaysia. It is our hope that, given time, these saplings will protect coastal communities from property damage due to flood, as well as house valuable biodiversity that enriches those around it by way of naturally living resources within.



1,050 Mangrove Saplings Planted

The importance of the mangroves was further amplified through the 2022 diary and calendar, being the central theme and featuring photographs purchased from MNS' collection as further support to their efforts in the country.

Road Safety

UN SDG 3: Good Health and Well-being

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. As the country transitioned through the various stages of its National Recovery Plan and more and more vehicles began to take to the roads again, such reminders are timely and important.



Road Safety Through Festive Communications

OUTLOOK

In 2022, following on from the uncertainty and challenges faced from the COVID-19 pandemic and with the anticipated business activities resumption in mind, the Company will focus on strengthening and building a sustainable competitive advantage by tapping into new opportunities to increase growth and achieving its Plan profit.

The Company will continue to invest in digital solutions and tools, with the aim to arm the Company to withstand the challenging outlook and remain 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 2022 and achieve its strategic objectives and goals.

Key drivers for

2022

Remain resilient
and responsive to
customer needs

Digitalisation
and technology

Product
development

Data analytics
and insights

Marketing activities
and targeted segments

ACKNOWLEDGEMENT

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

We would like to express our gratitude and appreciation to our valued intermediaries, clients and business partners for their strong, continuous support in 2021. And we thank our shareholders for their trust and confidence to be part of our journey.

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 announce an orderly succession plan for the role of Chairman. Dato' Muthanna bin Abdullah, who has been an Independent Director since 2018, will be appointed as the next Chairman upon my retirement on 17 April 2022. His appointment will ensure a smooth leadership transition. In addition, Mr. Iichiro Sadamoto resigned as an Independent Non-Executive Director on 29 April 2022 following his relocation to Japan.

I would like to extend my thanks to my fellow Directors for their support throughout my appointment as Chairman, and would like to welcome Dato' Muthanna bin Abdullah as he takes on the Chairman role from 18 April 2022.

Dato' Mohd. Sallehuddin bin Othman
CHAIRMAN

PENYATA PENGURUS

Bagi Pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Syarikat bagi tahun berakhir 31 Disember 2021.



Bahasa Malaysia

laporan tahunan 2021

TINJAUAN KEWANGAN

Syarikat mencatatkan Keuntungan Selepas Cukai sebanyak RM280 juta pada tahun 2021, berbanding tahun sebelumnya sebanyak RM290.6 juta. Perolehan setiap saham dilaporkan pada 84.1 sen berbanding tahun sebelumnya pada 87.2 sen.

Walaupun dengan latar belakang yang tidak menentu akibat pandemik COVID-19, **Premium Taja Jamin Kasar (GWP)** ditutup pada RM 1.5 bilion dan mencatatkan pertumbuhan kukuh sebanyak 5.3% atau RM74.6 juta. Pertumbuhan direkodkan daripada kelas perniagaan Harta Komersial (RM26.5 juta), Marin (RM15.3 juta), Motor Komersial (RM12.1 juta) diikuti oleh Motor Peribadi (RM10.3 juta). Pertumbuhan ini adalah hasil daripada strategi yang dilaksanakan dengan baik dan komitmen Syarikat untuk mencapai sasaran dengan mendapatkan akaun baharu, pelaksanaan strategi harga yang kompetitif dan mantap, serta strategi tertumpu pada kelas perniagaan dan produk tertentu. Pelaburan berterusan dalam pendigitalan telah membantu meningkatkan perniagaan dalam talian dan saluran pengedaran alternatif yang merangsang lagi pertumbuhan GWP.

Kedudukan
Pasaran

No. 3

Dalam industri Insurans Am, MSIG Insurance (Malaysia) Bhd berada di kedudukan pasaran No. 3 sebagai salah satu penanggung insurans am terkemuka di Malaysia.

Premium Taja
Jamin Kasar

RM1.5
bilion

Keuntungan
Selepas Cukai

RM280
juta

Perolehan
Setiap Saham

84.1
sen

Keuntungan Taja Jamin

Keuntungan Taja Jamin Syarikat sebanyak RM246.1 juta adalah RM8.1 juta (3.2%) lebih rendah berbanding 2020. Kadar Kendalian Digabungkan Syarikat berada pada rekod paling rendah sebanyak 77% pada tahun 2021 berbanding 77.8% pada tahun 2020.



Tuntutan yang lebih tinggi terutamanya disebabkan oleh kejadian banjir besar pada Disember 2021 memberi kesan kepada kelas perniagaan Hartanah, Marin dan Motor. Tanpa mengambil kira peristiwa malapetaka ini, tuntutan adalah lebih rendah terutamanya daripada kelas perniagaan Motor Peribadi apabila bilangan kenderaan yang bergerak di jalan raya adalah rendah semasa tempoh kawalan pergerakan serta tuntutan daripada kelas perniagaan Perjalanan dan Penjagaan Kesihatan yang juga rendah.

Jumlah Aset

RM6.2
bilion

Jumlah Pelaburan

RM3.4
bilion

Jumlah Pelaburan & Pendapatan Lain

RM97.6
juta

Jumlah Pelaburan & Jumlah Aset

Jumlah pelaburan Syarikat meningkat kepada RM3.4 bilion; peningkatan sebanyak RM70.5 juta. Pendapatan pelaburan menurun sebanyak RM16.1 juta, berikutan daripada keseluruhan persekitaran kadar faedah yang rendah. Syarikat mencatatkan keuntungan pelaburan terealisasi sebanyak RM14.0 juta tetapi mengalami kemerosotan nilai pelaburan sebanyak RM5.9 juta pada portfolio Ekuiti. Jumlah pelaburan dan pendapatan lain Syarikat berjumlah RM97.6 juta.

Prestasi tahun ini membolehkan Syarikat mencapai Keuntungan Sebelum Cukai sebanyak RM343.7 juta dan Keuntungan Selepas Cukai sebanyak RM280.0 juta, mencerminkan perolehan bersih setiap saham sebanyak 84.1 sen. Syarikat telah menunjukkan daya tahannya dalam menjana keuntungan yang baik meskipun berdepan dengan pandemik COVID-19 dan kesan buruknya terhadap kedua-dua ekonomi global dan Malaysia.

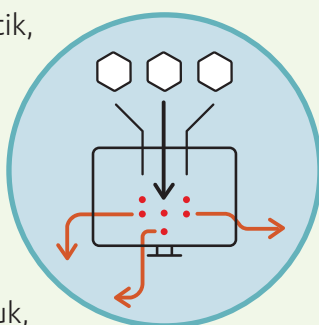
Jumlah Aset, termasuk Muhibah, berjumlah RM6.2 bilion pada tahun kewangan berakhir 2021, iaitu peningkatan ketara sebanyak RM872.9 juta daripada RM5.3 bilion.

TINJAUAN OPERASI

Analisis dan Automasi

Sistem Pemantauan Aktuari (AMS)

Pada tahun 2021, Sistem Pemantauan Aktuari (AMS) terus berkembang dengan menambah baik pengumpulan data, analitik, navigasi dan aplikasi ini telah diperluas kepada banyak produk dan kelas perniagaan. Ini membolehkan Syarikat mempertingkatkan produk, dan menyelaraskannya menurut keperluan pelanggan serta memberi fokus kepada segmen yang disasarkan.



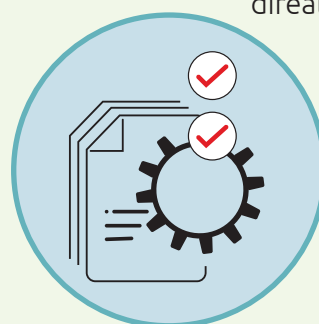
Rangka Kerja Pengurusan Data

Syarikat meneruskan pembangunan Rangka Kerja Pengurusan Data yang memperkemas data, harga, maklumat pengurusan dan mengoptimumkan inisiatif untuk menyokong pertumbuhan GWP pada seluruh perusahaan, meningkatkan keuntungan dan memacu kecekapan operasi. Lebih penting lagi, rangka kerja itu membantu dari segi pematuhan dan tadbir urus keseluruhan yang menyediakan asas yang kukuh untuk melancarkan inisiatif lain.



Automasi Proses Robotik (RPA)

Teknologi praktikal yang digunakan tahun lepas ialah Automasi Proses Robotik (RPA), satu inisiatif transformasi perniagaan utama untuk menyelaraskan dan mengautomasikan proses yang memakan masa. Dengan mengautomasikan proses ini, RPA bertujuan untuk mengurangkan masa pemulihan dan mencapai kecekapan sumber. Ia adalah matlamat yang berjaya



direalisasikan dalam beberapa tugas fungsian utama seperti memproses dokumen tuntutan, dan dalam satu kajian kes mengurangkan hampir separuh masa pemulihan sambil mengekalkan

hasil pengeluaran yang dijangkakan. Pada asasnya, hasil adalah menggalakkan dan akan terus memberi impak positif kepada kakitangan dan kecekapan.



Menambah Baik Proses Tuntutan

Proses tuntutan menyaksikan beberapa penambahbaikan penting, terutamanya dalam menambah baik pengalaman pelanggan dengan pengurangan masa pemulihan melalui automasi pembayaran bersepadu sambil berwaspada terhadap penipuan.

Tuntutan Pantas

Sistem Pengurusan Tuntutan sedang dipertingkatkan untuk mengenal pasti produk dan parameter untuk tuntutan pantas. Satu langkah penting ke arah pengalaman tuntutan yang lebih baik bagi penyedia perkhidmatan dan pemegang polisi kami adalah untuk memastikan bahawa terdapat penghubung berfungsi, yang sering dirujuk sebagai Antara Muka Pengaturcaraan Aplikasi (API), untuk produk yang dikenal pasti, terutamanya dalam kes transaksi yang besar.

Pengesanan Penipuan

Keupayaan pengesanan penipuan juga telah dinaik taraf dalam Sistem Pengurusan Tuntutan (CMS) dengan banyak bendera merah umum diprogramkan ke dalam sistem untuk pengesanan seawal kemasukan data tuntutan pertama ke dalam CMS. Ini telah memudahkan jabatan Tuntutan dalam mengurangkan tuntutan palsu dengan kecekapan yang lebih tinggi dan, seterusnya, membawa kepada prestasi yang lebih baik.



Peningkatan Produk & Perkhidmatan



Banyak penambahbaikan yang dibuat pada sistem dan proses kami telah membawa kepada pemahaman yang lebih baik tentang keperluan dan kebimbangan orang ramai, kesedaran untuk insurans kesihatan mampu milik dan disasarkan sebagai kebimbangan yang disebabkan oleh peristiwa semasa.

**Bantuan kewangan
sekaligus untuk
peringkat awal
dan kritikal**

EZ Plus Critical Care dan EZ Critical Care

Dirangka untuk melindungi 4 penyakit kritikal yang paling biasa dituntut di Malaysia berdasarkan data pasaran semasa. EZ Plus Critical Care dan produk eksklusif platform MSIG Take It Easy (TIE) yang lebih mampu milik, iaitu EZ Critical Care, menyediakan bantuan kewangan sekaligus untuk peringkat awal dan kritikal yang berkaitan dengan masalah jantung, otak dan buah pinggang, serta kanser (atau hanya berkaitan buah pinggang dan kanser untuk pelan yang lebih mampu milik).

Cancer Care 365 dan EZ Cancer Care 365

Perlindungan Penyakit Kritikal khusus untuk rawatan kanser. Cancer Care 365 dan produk dalam talian sahaja, EZ Cancer Care 365 menyediakan perlindungan kewangan daripada kanser dan termasuk bantuan tambahan untuk kanser khusus jantina. Paling penting, tuntutan boleh dibuat pada peringkat awal, memberikan pemegang polisi ketenangan fikiran supaya mereka boleh memberi tumpuan kepada pemulihan.

**Menyediakan
perlindungan kewangan
daripada kanser dan
termasuk bantuan
tambahan untuk kanser
khusus jantina**

**Tuntutan boleh dibuat
pada peringkat awal**

**Perlindungan
Kemalangan Diri
untuk pemandu dan
penumpang serta
elaun untuk pelbagai
situasi**

Commercial Motor Plus

Mengikuti jejak produk motor berpakej yang sangat berjaya, MSIG Motor Plus, Commercial Motor Plus telah diperkenalkan untuk memberikan nilai yang besar kepada perusahaan kecil dan sederhana yang bergantung pada flit mereka untuk memastikan perniagaan mereka beroperasi. Menyediakan perlindungan Kemalangan Diri untuk pemandu dan penumpang serta elaun untuk pelbagai situasi.

Prime PA

Produk Prime PA kami menerima penambahbaikan untuk memberikan perlindungan Kemalangan Diri kami yang paling komprehensif dengan bonus pembaharuan kepada pasaran sasaran yang lebih luas pada premium yang lebih berpatutan.

**Bonus
pembaharuan**

**Premium
berpatutan**

**Elaun Pembaikan
Kemalangan
sewaktu kereta
dibaiki di bengkel**

Perlindungan Tambahan Motor

2021 menyaksikan rombakan banyak perlindungan tambahan kami yang paling popular, serta perlindungan baharu yang dipanggil Elaun Pembaikan Kemalangan yang membolehkan pemegang polisi menerima elaun sekali sahaja sewaktu kereta mereka dibaiki di bengkel.

**Manfaat kemasukan
ke hospital harian yang
turut merangkumi
COVID-19 dan Denggi**

Perlindungan Tambahan Bukan Motor

Memberi nilai kepada produk insurans rumah kami, Perlindungan Tambahan Manfaat Kesulitan Penghospitalan mengenal pasti bahawa kemalangan di rumah boleh ditangani dengan cepat dengan permasalahan kewangan yang minimum menggunakan manfaat kemasukan ke hospital harian yang turut merangkumi COVID-19 serta Denggi.

Perlindungan Tambahan Kemalangan Diri Manfaat Tunai Penghospitalan COVID-19/ Denggi yang turut membayar manfaat kemasukan ke hospital jika orang diinsuranskan dimasukkan ke hospital untuk COVID-19 dan Denggi, telah ditambahbaik untuk mengikuti prosedur operasi standard (SOP) terkini yang tidak lagi mewajibkan kuarantin di pusat kuarantin.



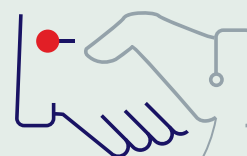
Baucar Perlindungan Tenang

Pada tahun 2021, kerajaan melancarkan inisiatif RM100 juta yang dipanggil Baucar Perlindungan Tenang. Ini adalah baucar insurans RM50 yang diberikan kepada setiap warga B40 yang layak untuk menuntut produk insurans mikro. **Insurans Kemalangan Diri Mini Syarikat telah menyediakan perlindungan insurans Kemalangan Diri yang penting kepada lebih 160,000 orang daripada komuniti B40.** Sejak itu produk telah diselaraskan untuk mencipta nilai perkongsian yang lebih baik antara Syarikat dan masyarakat setempat.



Digitalisasi

Tahun sebelumnya menyaksikan permintaan yang lebih besar untuk digitalisasi daripada hampir setiap sektor, menyebabkan peningkatan pergantungan pada platform digital untuk maklumat, suai tugas on-boarding dan pembayaran. Syarikat mengambil peluang untuk bekerjasama dengan platform sedia ada serta membina kerjasama yang baharu.



Promosi silang dengan Hong Leong Assurance merentasi saluran digital

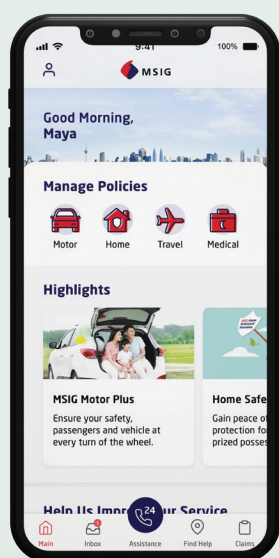
Kerjasama yang berjaya dengan Touch 'n Go

Promosi Silang HLB

Syarikat bekerjasama dengan Hong Leong Assurance (HLA) untuk mempromosi silang produk merentasi kedua-dua saluran digital mereka. MSIG Online mula menampilkan tawaran insurans hayat HLA, manakala portal digital HLA memaparkan tawaran insurans am komprehensif produk Motor, Penyakit Kritikal, Perjalanan dan Gaya Hidup.

Touch 'n Go

Syarikat telah membina kerjasama yang berjaya dengan Touch 'n Go, dengan menjadi salah satu penyedia insurans untuk tawaran insurans motor dalam aplikasinya.



MY MSIG App

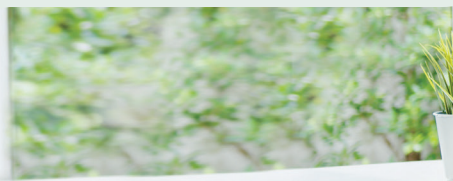
Aplikasi MY MSIG telah diperkenalkan ke pasaran pada tahun 2021 dengan objektif untuk meningkatkan tumpuan pelanggan, terutamanya dalam bentuk keupayaan layan diri untuk menerima maklumat masa nyata. Ia juga akan meningkatkan penglibatan pelanggan melalui titik sentuh merentasi kitaran hayat insurans, contohnya pengumuman produk baharu, fungsi carian untuk mencari hospital dan bengkel panel, dan peringatan untuk pembaharuan insurans.

Aplikasi ini juga meletakkan pengalaman tuntutan di tangan pemegang polisi, membimbing mereka dari proses penyerahan dokumen hingga akhir perjalanan tuntutan. Perantara juga akan dapat menumpukan lebih banyak masa untuk membantu pelanggan mereka mengetahui bahawa mereka boleh mengakses status tuntutan mereka dalam masa nyata. Akhirnya, proses tuntutan juga akan merangkumi keupayaan untuk menyediakan koleksi bukti foto dan video di tempat kejadian untuk meningkatkan lagi pengalaman tuntutan pelanggan, sambil membantu mengesan dan mencegah penipuan tuntutan semasa pemberitahuan tuntutan.

Ia merupakan satu langkah ke hadapan yang ketara dalam menambah baik proses insurans untuk pemegang polisi, perantara dan Syarikat. Selain itu, ia adalah batu loncatan untuk mencapai fungsi yang lebih baik dan titik sentuh tambahan.



Ketangkasan Ruang Kerja



Sebagai tindak balas kepada ketidakstabilan prosedur operasi standard (SOP) yang disyorkan kerajaan, Syarikat telah memastikan bahawa ia akan terus berfungsi dengan lancar dalam semua situasi, meningkat dan menjamin keupayaan Bekerja dari Rumah (WFH) dan memperluas kepada sebahagian besar tenaga kerja. Lebih banyak kakitangan dilengkapi dengan komputer riba Syarikat dan akses WFH, dan melalui sistem moden seperti Office 365 dan alatan kerjasama lain, mesyuarat dan usaha pasukan boleh dilakukan sambil mengekalkan jarak fizikal yang selamat.

Anugerah & Pengiktirafan



Pada MSIG Asia Awards 2021, Syarikat menerima hadiah pertama dalam Anugerah Inovasi untuk Perlindungan Tambahan Kemalangan Diri COVID-19/Denggi. Dicipta untuk meringankan beban kewangan pemegang polisi yang terjejas oleh COVID-19 serta kes Denggi yang semakin meningkat, ia membantu dari segi kewangan orang yang diinsuranskan dengan manfaat tunai harian untuk kemasukan ke hospital atau elaun sekaligus jika terjejas disebabkan oleh salah satu kejadian.

Syarikat juga berbangga dengan pengiktirafan sebagai pemenang tempat ketiga dalam kategori Bintang Kecemerlangan serantau MSIG, dikhaskan untuk Unit Perniagaan berprestasi terbaik di rantau ini.

Anugerah Inovasi
Hadiah pertama
untuk Perlindungan
Tambahan Kemalangan
Diri COVID-19/Denggi



Kemampuan



Menyokong Masyarakat Setempat

UN SDG 11: Bandar dan Masyarakat Mampan

2021 memberi banyak cabaran kepada rakyat Malaysia, dengan ramai yang terjejas oleh peraturan COVID-19 dan mengakibatkan kehilangan pekerjaan. Tahun tersebut diakhiri dengan banjir yang menyebabkan ramai orang kehilangan tempat tinggal serta kerosakan harta benda dan mata pencarian mereka.

Mercy Malaysia dan Dana Bantuan CSR PIAM

Pada bulan Januari 2021, Syarikat menyertai Financial Industry Collective Outreach (FINCO) dan rakan-rakan perniagaan dengan sumbangan RM10,000 kepada Mercy Malaysia untuk penyediaan makanan dan keperluan harian kepada mereka yang terjejas. Syarikat juga menyumbang kepada Dana Bantuan CSR Persatuan Insurans Am Malaysia (PIAM), untuk meringankan beban pemilik kenderaan yang terjejas akibat banjir pada penghujung 2021.



ACT OF KINDNESS

Inisiatif Act of Kindness telah diperluas dengan sumbangan diterajui ibu pejabat dan cawangan berjumlah RM147,681 kepada pelbagai rumah kanak-kanak, persatuan penjagaan perubatan, pusat bantuan bencana dan penjagaan komuniti, pusat latihan kemahiran, dan organisasi yang berkaitan dengan kelestarian alam sekitar. Sumbangan berbentuk wang tunai dan sumbangan barangan runcit, mainan, buku, peralatan rumah, peralatan mandian, barangan berkaitan kesihatan dan juga komputer riba yang telah diperbaharui untuk membantu komuniti B40 mengikuti perkembangan keperluan masyarakat dan pendidikan yang berubah.

Food Aid Foundation



Walau bagaimanapun, sumbangan paling penting, merupakan derma Ringgit-untuk-Ringgit kepada Food Aid Foundation (FAF), sebuah badan bukan kerajaan (NGO) yang sebelum ini mengumpul baki makanan dari hotel dan restoran untuk disalurkan kepada golongan yang memerlukan tetapi disebabkan oleh situasi semasa, mereka telah menyediakan bakul makanan dan keperluan harian untuk mereka yang terjejas akibat COVID-19 dan banjir. Di bawah inisiatif 'Pledge A Difference', Syarikat telah mengumpul sejumlah RM103,625 di mana jumlah itu merupakan sumbangan gabungan daripada derma Syarikat sebanyak RM50,000, kemurahan hati orang ramai sebanyak RM23,625 dan kepada inisiatif ini, pemadanan derma Ringgit-untuk-Ringgit yang akhirnya menyaksikan Syarikat menyumbang tambahan RM30,000.

Perubahan Iklim

UN SDG 13: Tindakan Iklim

Tahun ini merupakan tahun Syarikat menubuhkan Pasukan Petugas Perubahan Iklim (CCT) dalaman, kumpulan kerja bersilang fungsi untuk memacu penyepaduan pertimbangan berkaitan iklim dalam aktiviti perniagaan kami. Mengambil inisiatif dengan sepenuh hati, tema Embrace, Enable and Evolve telah ditetapkan sebagai prinsip panduan.

STRATEGI UTAMA PASUKAN PETUGAS

- **Penyepaduan keseluruhan perusahaan bagi pertimbangan perubahan iklim dalam penilaian risiko, pelaporan dan pembinaan kapasiti**
- **Mengehadkan taja jamin dan pelaburan ke atas perniagaan penjana tenaga berasaskan arang batu**
- **Memperkuh penggunaan taksonomi dan alat lain yang berkaitan untuk pemahaman risiko iklim yang lebih baik dan penetapan sasaran**
- **Membangunkan produk hijau dan mampan untuk memudahkan peralihan iklim yang teratur**
- **Memahami jejak karbon kami untuk mempercepatkan usaha pengurangan karbon kami**

Sebagai langkah pertama, Syarikat memperoleh sijil tenaga boleh diperbaharui (i-Rec) yang diiktiraf di peringkat antarabangsa untuk mengimbangi dan menyokong peralihan ke arah tenaga bersih dan boleh diperbaharui. i-Rec ialah sejenis Sijil Atribut Tenaga (EAC) yang mewakili sifat alam sekitar dalam penjana satu megawatt jam (MWj) tenaga yang dihasilkan oleh sumber boleh diperbaharui.

Biodiversiti

UN SDG 13: Tindakan Iklim

Sebagai sokongan berterusan terhadap fokus biodiversiti lestari serantau dan perkongsian teguh kami dengan Persatuan Pencinta Alam Malaysia (MNS), Syarikat menyumbang kepada penanaman 1,050 anak pokok bakau tambahan di seluruh Malaysia. Adalah menjadi harapan kami, pada masa akan datang, anak pokok ini akan melindungi komuniti pantai daripada kerosakan harta benda akibat banjir, serta menempatkan biodiversiti berharga yang memperkayakan persekitarannya melalui sumber hidupan semula jadi secara dalaman.



Penanaman 1,050 anak pokok bakau

Kepentingan pokok bakau dipertingkatkan lagi melalui diari dan kalendar 2022, menjadi tema utama dan memaparkan gambar-gambar yang dibeli daripada koleksi MNS sebagai sokongan selanjutnya kepada usaha mereka di negara ini.

Keselamatan Jalan Raya

UN SDG 3: Kesihatan dan Kesejahteraan yang Lebih Baik

Dalam inti pati salah satu bidang perniagaan utama, Syarikat terus menggalakkan keselamatan jalan raya melalui komunikasi perayaan yang dihantar kepada perantara dan disiarkan secara terbuka dalam media sosial kami. Ketika negara beralih melalui pelbagai peringkat Pelan Pemulihan Negara dan semakin banyak kenderaan mula bergerak semula ke jalan raya, pesanan sedemikian sesuai dengan situasi semasa dan penting untuk diketengahkan.



Keselamatan Jalan Raya Melalui Komunikasi Perayaan



TINJAUAN

Pada tahun 2022, susulan daripada ketidaktentuan dan cabaran yang dihadapi daripada pandemik COVID-19 serta dengan jangkaan aktiviti perniagaan bersambung seperti sediakala, Syarikat akan memberi tumpuan pada pengukuhan dan pembinaan kelebihan daya saing yang mampan dengan memanfaatkan peluang baharu untuk meningkatkan pertumbuhan dan mencapai keuntungan Pelannya.

Syarikat akan terus melabur dalam penyelesaian dan alatan digital, dengan matlamat untuk memperengkap Syarikat untuk menghadapi tinjauan yang mencabar dan kekal berdaya tahan untuk menyampaikan dan responsif kepada keperluan pelanggan.

Dengan strategi dan langkah terancang Syarikat, saya yakin Syarikat akan berupaya untuk beroperasi dengan baik pada tahun 2022 serta mencapai objektif dan matlamat strategiknya.

Pemacu utama
bagi tahun

2022

Kekal berdaya tahan
dan responsif terhadap
keperluan pelanggan

Digitalisasi dan
teknologi

Pembangunan produk

Analisis dan
pemahaman data

Aktiviti pemasaran
dan segmen yang
disasarkan

PENGHARGAAN

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

Kami ingin merakamkan ucapan terima kasih dan penghargaan kami kepada para perantara, pelanggan dan rakan perniagaan kami yang dihargai atas sokongan kukuh dan berterusan mereka pada tahun 2021. Dan kami mengucapkan terima kasih kepada pemegang saham kami atas kepercayaan dan keyakinan mereka bersama-sama dengan kami sepanjang perjalanan ini.

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

Kami berbesar hati untuk mengumumkan rancangan penggantian yang teratur untuk peranan Pengerusi. Dato' Muthanna bin Abdullah, yang telah menjadi Pengarah Bebas sejak 2018, akan dilantik sebagai Pengerusi seterusnya selepas saya bersara pada 17 April 2022. Pelantikan beliau akan memastikan peralihan kepimpinan yang lancar. Selain itu, Encik Ichihiro Sadamoto telah meletakkan jawatan sebagai Pengarah Bebas Bukan Eksekutif pada 29 April 2022 berikutan perpindahannya ke Jepun.

Akhirnya, saya ingin mengucapkan terima kasih kepada rakan seperjuangan Pengarah atas sokongan berterusan sepanjang pelantikan saya sebagai Pengerusi, dan ingin mengalu-alukan Dato' Muthanna bin Abdullah yang akan mengambil peranan sebagai Pengerusi bermula pada 18 April 2022.

Dato' Mohd. Sallehuddin bin Othman
PENERUSI

The image features a dark blue background with white geometric shapes. A large white circle is partially visible on the left side. A white line starts from the top left, curves down, and then curves right, ending in a small circle. Another white line starts from a small diamond shape at the bottom left, curves right, and then curves down, ending in a small circle. The text "FINANCIAL STATEMENTS" is written in a white, sans-serif font, centered in the upper half of the image.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors have pleasure in submitting their report together with the annual audited financial statements of the Company for the financial year ended 31 December 2021.

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 ultimate holding company is MS&AD Insurance Group Holdings, Inc., a company incorporated in Japan.

Financial results

RM'000

Profit for the year

280,047

Dividends

Since the end of the previous financial year, the Company paid a single-tier interim dividend of 80 sen per ordinary share totalling RM266,514,286 in respect of the year ended 31 December 2021 on 7 October 2021.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2021 is 40 sen per ordinary share totalling RM133,257,143. Such dividend, if approved, will be accounted for in the shareholders' equity as an appropriation of retained earnings during financial year ending 31 December 2022.

Directors of the Company

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

Dato' Mohd. Sallehuddin bin Othman
 Ms. Pearl Chan Siew Cheng
 Dato' Muthanna bin Abdullah
 Mr. Iichiro Sadamoto
 Mr. Lim Tiang Siew
 Ms. Gan Bee Lan
 Ms. Loh Guat Lan
 Mr. Alan John Wilson

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 1.1.2021 | Bought | Sold | At 31.12.2021 |
| 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 |

Directors' interests in shares (continued)

| | Number of options over ordinary shares | | | |
|---------------------------|--|---------|-----------|----------------------|
| | At 1.1.2021 | Granted | Exercised | Lapsed/ cancelled |
| Director interest: | | | | |
| Related company: | | | | |
| MS&AD Insurance Group | | | | |
| Holdings, Inc. | | | | |
| Mr. Alan John Wilson | 949 | - | - | - |
| | | | | At 31.12.2021 |
| | | | | 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 a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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.

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

There was no change in the authorised, issued and paid-up capital of the Company 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 statement of profit or loss and other comprehensive income and statement of financial position 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 Framework for Insurers.

Impaired debts

Before the statement of profit or loss and other comprehensive income and statement of financial position 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 Company inadequate to any substantial extent.

Current assets

Before the statement of profit or loss and other comprehensive income and statement of financial position 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 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 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 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 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 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 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 Company, which would render any amount stated in the financial statements of the Company misleading.

Items of an unusual nature

The results of the operations 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 Company for the year in which this report is made.

Indemnity and insurance costs

The Company maintains a Directors' and Officers' Liability Insurance effected for all the Directors and members of Senior Management 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 RM10,016.

There were no indemnity given to, or insurance effected for auditors 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 2021, 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 | Board Investment Committee |
|--|------------|-----------------------|-----------------------------------|------------------------------|--|----------------------------|
| | (Chairman) | | (Attendance / Number of Meetings) | | | |
| Dato' Mohd. Sallehuddin bin Othman (Non-Independent Non-Executive Director) | 6/6 | 5/5 | - | - | - | 8/8 |
| Ms. Pearl Chan Siew Cheng (Independent Non-Executive Director) | 6/6 | - | (Chairman) 4/4 | 2/2 | 4/4 | (Chairman) 8/8 |
| Dato' Muthanna bin Abdullah (Independent Non-Executive Director) | 6/6 | 5/5 | 4/4 | 2/2 | (Chairman) 4/4 | 8/8 |
| Mr. Iichiro Sadamoto (Independent Non-Executive Director) | 6/6 | 5/5 | 4/4 | (Chairman) 2/2 | 4/4 | - |
| Mr. Lim Tiang Siew (Independent Non-Executive Director) | 6/6 | (Chairman) 5/5 | - | - | 4/4 | - |

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. Gan Bee Lan (Independent Non-Executive Director) | 6/6 | 5/5 | - | - | 4/4 | - |
| Ms. Loh Guat Lan (Non-Independent Non-Executive Director) | 6/6 | - | - | - | - | 8/8 |
| Mr. Alan John Wilson (Executive Director) | 6/6 | - | 4/4 | - | - | - |

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors

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

Dato' Mohd. Sallehuddin bin Othman
(Chairman/Non-Independent Non-Executive Director)

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 the Malaysia Institute of Accountants in 1981 and became a Fellow member of ACCA in 1983.

Dato' Mohd. Sallehuddin began his career with brief stints at various audit firms in Malaysia and the 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. In addition to MSIG Insurance (Malaysia) Bhd, 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.

Presently, Dato' Mohd. Sallehuddin serves as a member of the Board Audit and Investment Committees of the Company.

Ms. Pearl Chan Siew Cheng
(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 a 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 Nominations and Investment Committees and is a member of the Remuneration and Compliance & Risk Management Committees of the Company.

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors (continued)

Dato' Muthanna bin Abdullah
(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, Sapura Resources Berhad, MSM Malaysia Holdings Berhad, IHH Healthcare Berhad, Malaysian Life Reinsurance Group Berhad, Malaysian Rating Corporation Berhad and a Trustee of Yayasan Siti Sapura and of the Habitat Foundation.

Presently, Dato' Muthanna serves as Chairman of the Board Compliance & Risk Management Committee and is a member of the Board Audit, Nominations, Remuneration and Investment Committees of the Company.

Mr. Iichiro Sadamoto
(Independent Non-Executive Director)

Mr. Iichiro Sadamoto joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 1 October 2017. He is currently the Managing Director of Toyota Tsusho (Malaysia) Sdn Bhd. Prior to this, 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 27 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.

Presently, Mr. Sadamoto serves as Chairman of the Board Remuneration Committee and is a member of the Board Audit, Nominations 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 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.

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 become 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 2 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 also an Independent Non-Executive Director of Sapura Energy Berhad, Chairman of its Board Audit Committee and a member of its Board Risk Committee.

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors (continued)

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 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.

In January 2016 until July 2018, Ms. Gan joined the Regional Holding Company (RHC) in Singapore as Head of ICT/Consulting Advisor to 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 is a member of the Board 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), Customer Service Management (CSM) and Life Office Management Association (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms. Loh has over 32 years of 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 with 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 and a Board Member of the Financial Industry Collective Outreach (FINCO).

Corporate governance disclosure (continued)

Board of Directors (continued)

Profiles of Directors (continued)

Mr. Alan John Wilson (Executive Director)

Mr. Alan Wilson has been the Chief Executive Officer of Singapore-based MSIG Asia Pte. Ltd. (formerly known as MSIG Holdings (Asia) Pte. Ltd.) since 2008. He also serves as Chairman or Director on the boards (or equivalent) of 19 MSIG related entities around the region, including Chairman of MSIG Berhad. Under Mr. Wilson's leadership, the MSIG network in Asia has expanded to 14 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.

Directors' trainings

The trainings provided to the Directors are as follows:

- ICLIF: 2021 FIDE Core Program Module A (Insurance)
- ICLIF: 2021 FIDE Core Program Module B (Insurance)
- FIDE Forum: Rethinking Our Approach to Cyber Defence in FIs
- ICLIF: Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?
- BNM-FIDE FORUM-MASB: Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know
- ICLIF: Implementing Amendments in the Malaysian Code on Corporate Governance
- FIDE Forum: Board Effectiveness Evaluation Industry Briefing
- BNM-FIDE FORUM: Dialogue on The Role of Independent Director
- BNM-FIDE FORUM: Dialogue on RMiT Implementation
- BNM-FIDE FORUM: Dialogue on The Future of Malaysia's Financial Sector
- Protecting Biodiversity - The Insurance for a Sustainable Future
- BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
- FIDE Forum: The Board's role and responsibilities in Crisis Communication
- FIDE Forum: Engagement Session on Board Leadership Framework (Session A) - "Shaping the future of FI Board Leadership"
- BNM-FIDE FORUM: Dialogue on Risk-Based Capital Framework for Insurers and Takaful Operators
- ICLIF: Reimagine Leadership & Governance, Not Capitalism
- Motivation Talk on Readiness, Resilience, Responsibility

Corporate governance disclosure (continued)

Board of Directors (continued)

Directors' trainings (continued)

- Bursa-FIDE FORUM: Dialogue on Sustainability
- FIDE Forum: The 2050 Net Zero Carbon Emissions Target: Finance's Role
- SC-FIDE FORUM: Dialogue on Capital Market Plan 3
- BNM-FIDE FORUM: Annual Dialogue with Governor of Bank Negara Malaysia
- MSIG In-House Directors' Trainings

Responsibilities of the Board and Board Committees

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

- Approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile.
- 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.
- 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.
- Promote, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.
- Promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies.
- 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.
- 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:

- Reviews and approves the annual audit plan.
- 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.
- 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.

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees (continued)

Board Audit Committee (continued)

- (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.
- (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 fulfills 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, is 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.

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees (continued)

Board Nominations Committee (continued)

- (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.

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 approving Outsourcing Plan and activities.
- (vii) Reviewing and providing direction on the Internal Control Program (ICP) activities.
- (viii) 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.

Corporate governance disclosure (continued)

Responsibilities of the Board and Board Committees (continued)

Board Compliance & Risk Management Committee (continued)

Risk Management (continued)

- (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) Overseeing climate related risk management activities with respect to focus areas undertaken by MSIG Climate Change Taskforce.
- (vii) 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.
- (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 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.

Corporate governance disclosure (continued)

Internal control framework (continued)

- 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.
- Beside 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. 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.

The Internal Audit function has unrestricted access to the Board Audit Committee and to the Company's documents, records and personnel. Internal Audit, through its reporting to the Board Audit Committee, presents the annual Internal Audit plan; and any amendments for approval. 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.

The Head of Internal Audit's functional line of reporting is to the Chairman of the Board Audit Committee, although he or she also has an administrative reporting line to the Chief Executive Officer of the Company. The appointment and dismissal of the 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 Audit Committee.

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 Internal Audit function adopts the International Standards for the Professional Practices of Internal Auditing as laid down in the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors ("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 Institute of Internal Auditors and where applicable, reference is 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.

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.

Corporate governance disclosure (continued)

Remuneration (continued)

Remuneration Policy (continued)

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 source 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 base on 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.

To promote behaviors 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 is subject to the Company's employment conditions and criteria.

Variable Remuneration

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

Corporate governance disclosure (continued)

Remuneration (continued)

Variable Remuneration (continued)

The variable pay is design 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 materialized.
- 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 is disclosed in Note 28 to financial statements.

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

.....
Dato' Mohd. Sallehuddin bin Othman
Director

.....
Mr. Lim Tiang Siew
Director

Kuala Lumpur,
Date: 23 March 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | Note | 2021 RM'000 | 2020 RM'000 |
|--|------|------------------|------------------|
| Assets | | | |
| Plant and equipment | 3 | 13,218 | 12,290 |
| Right-of-use assets | 4 | 35,345 | 41,140 |
| Investment property | 5 | 118 | 123 |
| Intangible assets | 6 | 4,170 | 5,669 |
| Goodwill | 7 | 1,141,224 | 1,141,224 |
| Available-for-sale financial assets | 8 | 2,588,859 | 2,478,837 |
| Deferred tax assets | 9 | 15,573 | 1,556 |
| Reinsurance assets | 10 | 1,230,219 | 453,913 |
| Loans and receivables, excluding insurance receivables | 11 | 744,111 | 700,295 |
| Insurance receivables | 12 | 180,788 | 170,806 |
| Deferred acquisition costs | 13 | 73,003 | 69,516 |
| Cash and cash equivalents | 14 | 138,527 | 216,920 |
| Total assets | | 6,165,155 | 5,292,289 |
| Equity and liabilities | | | |
| Share capital | 15 | 1,511,546 | 1,511,546 |
| Reserves | 16 | 1,579,568 | 1,606,304 |
| Total equity | | 3,091,114 | 3,117,850 |
| Insurance contract liabilities | 17 | 2,721,239 | 1,866,937 |
| Lease liabilities | 18 | 36,265 | 40,500 |
| Other financial liabilities | 19 | 25,746 | 25,032 |
| Insurance payables | 20 | 166,712 | 109,358 |
| Other payables | 21 | 109,215 | 110,251 |
| Tax payables | | 14,864 | 22,361 |
| Total liabilities | | 3,074,041 | 2,174,439 |
| Total equity and liabilities | | 6,165,155 | 5,292,289 |

The notes on pages 60 to 124 are an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 RM'000 | 2020 RM'000 |
|--|------|------------------|------------------|
| Operating revenue | 22 | 1,540,200 | 1,523,479 |
| Gross written premiums | 17.2 | 1,477,731 | 1,403,123 |
| Change in unearned premiums provision | | (31,004) | 10,819 |
| Gross earned premiums | 17.2 | 1,446,727 | 1,413,942 |
| Gross written premiums ceded to reinsurers | 17.2 | (343,965) | (272,746) |
| Change in unearned premiums provision | | 4,623 | (5,974) |
| Premiums ceded to reinsurers | 17.2 | (339,342) | (278,720) |
| Net earned premiums | | 1,107,385 | 1,135,222 |
| Investment income | 23 | 93,473 | 109,537 |
| Realised gains and losses | 24 | 14,563 | 43,216 |
| Fair value gains and losses | | (5,894) | (35,751) |
| Commission income | 25 | 49,012 | 44,260 |
| Other operating income | 26 | 680 | 4,070 |
| Other income | | 151,834 | 165,332 |
| Gross claims paid | 17.1 | (563,948) | (626,037) |
| Claims ceded to reinsurers | 17.1 | 111,900 | 99,736 |
| Gross change in contract liabilities | | (823,298) | (21,307) |
| Change in contract liabilities ceded to reinsurers | | 771,683 | 51,082 |
| Net claims incurred | 27 | (503,663) | (496,526) |
| Commission expense | 25 | (166,178) | (168,791) |
| Other operating expense | 26 | (5,225) | (3,478) |
| Management expenses | 28 | (240,491) | (260,000) |
| Other expenses | | (411,894) | (432,269) |
| Profit before tax | | 343,662 | 371,759 |
| Tax expense | 30 | (63,615) | (81,170) |
| Profit for the year | | 280,047 | 290,589 |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

| | Note | 2021 RM'000 | 2020 RM'000 |
|--|------|-----------------|----------------|
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Net (loss)/gain on fair value of available-for-sale financial assets | 8 | (52,985) | 22,176 |
| Tax effect | 9 | 12,716 | (5,322) |
| Other comprehensive income for the year, net of tax | | (40,269) | 16,854 |
| Total comprehensive income for the year | | 239,778 | 307,443 |
| Basic earnings per share (sen) | 31 | 84.1 | 87.2 |

The notes on pages 60 to 124 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

| | /-----Attributable to owners of the Company-----/ | | | |
|---|---|------------------------------|-----------------------------|------------------------|
| | /----Non-distributable ----/ | | Distributable | |
| Note | Share capital RM'000 | Fair value reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 January 2020 | 1,511,546 | 28,288 | 1,403,830 | 2,943,664 |
| Fair value of available-for-sale financial assets, net of tax | - | 16,854 | - | 16,854 |
| Total other comprehensive income for the year | - | 16,854 | - | 16,854 |
| Profit for the year | - | - | 290,589 | 290,589 |
| Total comprehensive income for the year | - | 16,854 | 290,589 | 307,443 |
| Dividends paid during the year | - | - | (133,257) | (133,257) |
| At 31 December 2020/1 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) |
| 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 60 to 124 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 343,662 | 371,759 |
| <i>Adjustments for:</i> | | | |
| Amortisation of intangible assets | 6 | 2,846 | 3,007 |
| Depreciation of plant and equipment | 3 | 4,894 | 5,325 |
| Depreciation of right-of-use assets | 4 | 9,937 | 10,458 |
| Depreciation of investment property | 5 | 5 | 4 |
| Investment income | 23 | (93,473) | (109,537) |
| Realised gains recorded in profit or loss | 24 | (14,563) | (43,216) |
| Fair value loss recorded in profit or loss | | 5,894 | 35,751 |
| Purchase of available-for-sale financial assets | 8 | (675,819) | (1,540,743) |
| Proceeds from disposal of available-for-sale financial assets | | 520,934 | 1,312,778 |
| Allowance for impairment loss on insurance receivables | | 388 | 411 |
| Reversal of impairment loss on loans and receivables | | (1) | (21) |
| Bad debts written off | | 24 | 7 |
| Interest on lease liabilities | | 2,211 | 934 |
| Retirement gratuities charged | | 429 | 633 |
| Operating gain before changes in working capital | | 107,368 | 47,550 |
| Change in reinsurance assets | | (776,306) | (45,108) |
| Change in insurance receivables | | (10,394) | 14,484 |
| Change in deferred acquisition costs | | (3,487) | 2,310 |
| Change in loans and receivables | | (44,034) | 62,468 |
| Change in insurance contract liabilities | | 854,302 | 10,488 |
| Change in other financial liabilities | | 714 | (1,067) |
| Change in insurance payables | | 57,354 | 5,605 |
| Change in other payables | | (1,465) | 33,025 |
| Cash generated from operating activities | | 184,052 | 129,755 |
| Dividend income received | | 75,930 | 77,260 |
| Interest income received | | 17,762 | 40,917 |
| Income tax paid | | (72,412) | (63,911) |
| Income tax refund | | - | 7,284 |
| Net cash flows from operating activities | | 205,332 | 191,305 |
| Cash flows from investing activities | | | |
| Proceeds from disposal of plant and equipment | | 720 | 572 |
| Purchase of intangible assets | 6 | (1,347) | (1,089) |
| Purchase of plant and equipment | 3 | (5,996) | (5,788) |
| Net cash flows used in investing activities | | (6,623) | (6,305) |
| Cash flows from financing activities | | | |
| Dividend paid | 32 | (266,514) | (133,257) |
| Payment of lease liabilities | 18.2 | (10,588) | (11,763) |
| Net cash flows used in financing activities | | (277,102) | (145,020) |

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

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|------|-----------------|----------------|
| Net (decrease)/increase in cash and cash equivalents | | (78,393) | 39,980 |
| Cash and cash equivalents at beginning of year | | 216,920 | 176,940 |
| Cash and cash equivalents at end of year | 14 | 138,527 | 216,920 |

The notes on pages 60 to 124 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 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 23 March 2022.

1. Basis of preparation

(a) Statement of compliance

The financial statements 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 Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – COVID-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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* – Classification of Liabilities as Current or Non-current and 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

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 Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021;
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and amendments to MFRS 141 which are not applicable to the Company; and
- 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.

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 Company except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The amendments to MFRS 4, *Insurance Contracts* allow two alternatives to address the transitional challenges from different effective dates of MFRS 9 and the new standard on insurance contracts, MFRS 17, *Insurance Contracts*. The amendment introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts.

The overlay approach involves the option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance contracts until the earlier of the effective date of the new standard on insurance contracts and the annual reporting periods beginning on or after 1 January 2023.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

The Company has elected to apply the temporary exemption from MFRS 9 that permits the Company to apply MFRS 139, *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for its annual periods beginning before 1 January 2023. An insurer may apply the temporary exemption from MFRS 9 if:

- (i) it has not previously applied any version of MFRS 9 before; and
- (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The Company has not adopted any version of MFRS 9 as of the date of this financial statements and its carrying amount of an entity's liabilities arising from contracts within MFRS 4's scope is significant. The Company has performed the assessment and it qualifies for the temporary exemption from MFRS 9 under the amendments to MFRS 4. The percentage of the total carrying amount of its insurance liabilities as of 31 December 2015 was 95.4% of the carrying amount of total liabilities.

Based on the initial assessment undertaken by the Company, the following are the new classification of the financial assets if MFRS 9 was adopted at the end of the reporting period. The new classification on initial application is based on assessment undertaken to date and the actual classification after adopting the standard may change.

| | New classification under MFRS 9 |
|---|--|
| Available-for-sale investments | |
| Equity securities in corporations | |
| Quoted in Malaysia | FVTPL |
| Unquoted in Malaysia | FVTPL |
| Unit Trusts | FVTPL |
| Controlled Structured Entities | FVTPL |
| Government Investment Issues | FVOCI |
| Government Guaranteed Bonds | FVOCI |
| Corporate debt securities | |
| Unquoted in Malaysia | FVOCI |
| Reinsurance assets, excluding IBNR | Amortised Cost |
| Loans and receivables, excluding insurance receivables | Amortised Cost |
| Insurance receivables | Amortised Cost |
| Cash and cash equivalents | Amortised Cost |

MFRS 17, *Insurance Contracts*

MFRS 17 was issued by MASB in August 2017. The standard will replace the existing MFRS 4 and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. The Company is currently assessing the financial impact of adopting MFRS 17.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

1. Basis of preparation (continued)

(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(h)(iii) and 7 – Valuation of goodwill
- Note 2(o) and 2(t) – 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) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company 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.

(b) 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 is determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and is 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 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.

2. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(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.

(c) 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 Company assesses 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;
- 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 Company allocates 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 Company recognises 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.

2. Significant accounting policies (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

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 Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that 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 Company has 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes 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.

(d) 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.

2. Significant accounting policies (continued)

(d) Intangible assets (continued)

The useful lives of customised software, desktop applications and license 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.

(e) 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.

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.

(f) 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(h)(iii)).

(g) 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 Company becomes 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 Company categorises and measures 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.

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

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

Financial assets (continued)

(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 underlying net assets held by these entities are disclosed in Note 8(a) to the financial statements.

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 Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers 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(h)(ii). Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(g)(iii), have been met.

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

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 is 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.

2. Significant accounting policies (continued)

(h) 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.

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(h)(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 is 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)

(h) 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.

(i) 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)

(j) 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 Company in the arrangement of its short-term commitments.

(k) Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines 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.

(l) Reinsurance

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

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 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 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 Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The Company also assumes 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)

(m) 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(n).

(n) 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 Company reviews 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)

(n) General insurance underwriting results (continued)

Claims 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.

(o) 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 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 Company reviews 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.

(p) 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.

2. Significant accounting policies (continued)

(p) Tax expense (continued)

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.

(q) 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.

(r) 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)

(r) 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 Company's right to receive payment is established, which in the case of quoted securities, is the ex-dividend date.

(s) 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 Company has 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 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 Company has no further payment obligations.

(t) 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 Company has 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)

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

The Company has 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.

(u) Earnings per share ("EPS")

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

(v) 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 Company uses 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 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 Company recognises 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

| | Office equipment RM'000 | Furniture and fittings RM'000 | Computers RM'000 | Motor vehicles RM'000 | Total RM'000 |
|------------------------------------|-------------------------------|-------------------------------------|---------------------|-----------------------------|-----------------|
| Cost | | | | | |
| At 1 January 2020 | 5,333 | 15,223 | 19,766 | 4,756 | 45,078 |
| Additions | 128 | 727 | 3,800 | 1,133 | 5,788 |
| Disposals | (87) | (200) | (1,072) | (1,763) | (3,122) |
| At 31 December 2020/1 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 | 8,611 | 15,750 | 23,378 | 3,077 | 50,816 |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | 4,647 | 12,153 | 13,229 | 3,118 | 33,147 |
| Charge for the year | 225 | 1,502 | 2,743 | 855 | 5,325 |
| Disposals | (87) | (198) | (1,069) | (1,664) | (3,018) |
| At 31 December 2020/1 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 | 5,101 | 14,546 | 16,346 | 1,605 | 37,598 |
| Carrying amount | | | | | |
| At 1 January 2020 | 686 | 3,070 | 6,537 | 1,638 | 11,931 |
| At 31 December 2020/1 January 2021 | 589 | 2,293 | 7,591 | 1,817 | 12,290 |
| At 31 December 2021 | 3,510 | 1,204 | 7,032 | 1,472 | 13,218 |

3. Plant and equipment (continued)

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

| | 2021 RM'000 | 2020 RM'000 |
|------------------------|----------------|----------------|
| At cost: | | |
| Office equipment | 4,427 | 4,259 |
| Furniture and fittings | 13,310 | 5,897 |
| Computers | 9,525 | 7,454 |
| Motor vehicles | - | 58 |

4. Right-of-use assets

| | Properties RM'000 | Office and other equipment RM'000 | Total RM'000 |
|------------------------------------|----------------------|--|-----------------|
| At 1 January 2020 | 8,978 | 3,010 | 11,988 |
| Additions | 38,849 | 77 | 38,926 |
| Depreciation charge | (9,373) | (1,085) | (10,458) |
| Remeasurement of lease liabilities | 684 | - | 684 |
| At 31 December 2020/1 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 | 34,315 | 1,030 | 35,345 |

4.1 Extension options

Some leases of properties, office buildings and other equipment contain extension options exercisable by the Company up to nine years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses 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 Company assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. The Company considers 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 Company also applied judgement and assumptions in determining the interest rate implicit in the lease.

5. Investment property

| | 2021 RM'000 | 2020 RM'000 |
|---------------------------------|----------------|----------------|
| Cost | | |
| At 1 January/31 December | <u>233</u> | <u>233</u> |
| Accumulated depreciation | | |
| At 1 January | 103 | 99 |
| Charge for the year | 5 | 4 |
| At 31 December | <u>108</u> | <u>103</u> |
| Accumulated impairment | | |
| At 1 January/31 December | <u>7</u> | <u>7</u> |
| Carrying amount | | |
| At 1 January | <u>123</u> | <u>127</u> |
| At 31 December | <u>118</u> | <u>123</u> |

Included in the above is:

| | 2021 | | 2020 | |
|--------------------|------------------------------|-------------------------|------------------------------|-------------------------|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| Leasehold building | <u>118</u> | <u>205</u> | <u>123</u> | <u>205</u> |

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

| | 2021 RM'000 | 2020 RM'000 |
|---------------------------|----------------|----------------|
| Direct operating expenses | <u>4</u> | <u>4</u> |

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.

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.

5. Investment property (continued)

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:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--------------------|-------------------|-------------------|-------------------|-----------------|
| 2021 | | | | |
| Leasehold building | - | 205 | - | 205 |
| 2020 | | | | |
| Leasehold building | - | 205 | - | 205 |

6. Intangible assets

| | Computer software | |
|---------------------------------|--------------------------|---------------|
| | 2021 | 2020 |
| | RM'000 | RM'000 |
| Cost | | |
| At 1 January | 23,749 | 22,660 |
| Additions | 1,347 | 1,089 |
| At 31 December | 25,096 | 23,749 |
| Accumulated amortisation | | |
| At 1 January | 18,080 | 15,073 |
| Amortisation charge | 2,846 | 3,007 |
| At 31 December | 20,926 | 18,080 |
| Carrying amount | | |
| At 31 December | 4,170 | 5,669 |

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

| | 2021 | 2020 |
|----------------------|---------------|---------------|
| | RM'000 | RM'000 |
| At cost: | | |
| Customised software | 8,164 | 2,961 |
| Desktop applications | 434 | 309 |
| Licenses | 6,147 | 5,383 |

7. Goodwill

| | 2021 RM'000 | 2020 RM'000 |
|--------------------------|------------------|------------------|
| At 1 January/31 December | <u>1,141,224</u> | <u>1,141,224</u> |

For the purpose of annual impairment testing, goodwill has been allocated to the general insurance business of the Company as one single cash-generating unit which represents the lowest level within 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 2022 to 2024 business plan. The growth rate was projected to perpetuity based on the Company's business plan for financial year 2024.

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

| | 2021 | 2020 |
|--|-------------|-------------|
| Perpetual growth rate (for terminal value) | 3.0% | 3.0% |
| Discount rate (pre-tax) | 10.9% | 9.1% |
| Discount rate (post-tax) | <u>9.5%</u> | <u>8.1%</u> |

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 abovementioned key assumptions to change so significantly that would result in impairment.

8. Available-for-sale ("AFS") financial assets

| | Note | 2021 RM'000 | 2020 RM'000 |
|------------------------------------|-------|-------------------------|-------------------------|
| At fair value | | | |
| Equity securities in corporations: | | | |
| Quoted in Malaysia | | 308,742 | 173,201 |
| Unquoted in Malaysia | | 602 | 602 |
| Unit Trusts | | 728,858 | 884,751 |
| Controlled Structured Entities | 8 (a) | <u>1,550,657</u> | <u>1,420,283</u> |
| Total AFS financial assets | | <u>2,588,859</u> | <u>2,478,837</u> |

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

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.

Carrying value of AFS financial assets

| | AFS RM'000 |
|--|-----------------------|
| At 1 January 2020 | 2,221,746 |
| Additions | 1,540,743 |
| Disposals | (1,270,030) |
| Fair value gain recorded in other comprehensive income | 22,176 |
| Amortisation | (47) |
| Provision for impairment loss | (35,751) |
| At 31 December 2020/1 January 2021 | 2,478,837 |
| Additions | 675,819 |
| Disposals | (506,918) |
| Fair value loss recorded in other comprehensive income | (52,985) |
| Provision for impairment loss | (5,894) |
| At 31 December 2021 | 2,588,859 |

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 RM1,550,656,538 (2020: RM1,420,283,336) 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 and Nomura Asset Management Malaysia Sdn. Bhd. 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 100% or almost 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.

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 | |
|--|--|---|---------|
| | | 2021 | 2020 |
| AmCash Premium | Investment in government bonds and deposits | - | 100.00% |
| AmBond Select 1 | Investment in government bonds and deposits | 100.00% | 100.00% |
| AmBond Select 2 | Investment in corporate bonds and deposits | 100.00% | 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 | - | 99.99% |
| 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% |

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 RM1,539 million (2020: RM1,406 million) are disclosed below:

| | AmCash Premium RM'000 | AmBond Select 1 RM'000 | AmBond Select 2 RM'000 | Affin Hwang Wholesale Government Bond Fund RM'000 | Affin Hwang Wholesale Corporate Bond Fund RM'000 | Affin Hwang World Series- Asian Bond Fund RM'000 | Principal Institutional Bond Fund 4 RM'000 | Nomura Ringgit Bond Fund 2 RM'000 | Total RM'000 |
|---|-----------------------------|------------------------------|------------------------------|---|--|--|---|--|------------------|
| Fair value of underlying net assets: | | | | | | | | | |
| 2021 | | | | | | | | | |
| 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 |
| 2020 | | | | | | | | | |
| Government bonds | 10,229 | 256,413 | - | 212,944 | - | - | - | 83,454 | 563,040 |
| Corporate bonds | - | - | 209,225 | - | 136,053 | - | 170,248 | 153,746 | 669,272 |
| Collective Investment Scheme | - | - | - | - | - | 23,846 | - | - | 23,846 |
| Money market deposits | 32,760 | 16,386 | 14,471 | 4,636 | 11,203 | 362 | 14,800 | 34,609 | 129,227 |
| Cash and cash equivalents | 5 | 15,992 | 4,398 | 22 | 20 | 29 | 22 | 81 | 20,569 |
| | 42,994 | 288,791 | 228,094 | 217,602 | 147,276 | 24,237 | 185,070 | 271,890 | 1,405,954 |

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:

| | AmCash Premium RM'000 | AmBond Select 1 RM'000 | AmBond Select 2 RM'000 | Affin Hwang Wholesale Government Bond Fund RM'000 | Affin Hwang Wholesale Corporate Bond Fund RM'000 | Affin Hwang World Series- Asian Bond Fund RM'000 | Principal Institutional Bond Fund 4 RM'000 | Nomura Ringgit Bond Fund 2 RM'000 | Total RM'000 |
|--|-----------------------------|------------------------------|------------------------------|---|--|--|---|--|-----------------|
| 2021 | | | | | | | | | |
| Total fair value (loss)/gain recognised for the financial year | - | (7,548) | (1,302) | (3,641) | 2,184 | - | 4,003 | (8,874) | (15,178) |
| 2020 | | | | | | | | | |
| Total fair value (loss)/gain recognised for the financial year | (109) | 2,244 | 7,980 | 3,606 | 7,028 | 2,439 | 7,178 | 1,489 | 31,855 |

The Company's maximum exposure to loss from its interests in the investee funds is equal to the carrying amounts shown above.

9. Deferred tax (assets)/liabilities

Recognised deferred tax (assets)/liabilities

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

| | 2021 RM'000 | 2020 RM'000 |
|-------------------------------------|-----------------|----------------|
| Available-for-sale financial assets | 1,540 | 14,256 |
| Plant and equipment | 2,641 | 1,728 |
| Provisions | (19,754) | (17,540) |
| Deferred tax assets (net) | (15,573) | (1,556) |

Movement in temporary differences during the year:

| | At 1.1.2020 RM'000 | Recognised in profit or loss (Note 30) RM'000 | Recognised in other comprehensive income RM'000 | At 31.12.2020/ 1.1.2021 RM'000 | Recognised in profit or loss (Note 30) RM'000 | Recognised in other comprehensive income RM'000 | At 31.12.2021 RM'000 |
|--|--------------------------|---|---|---|---|---|----------------------------|
| Available-for-sale financial assets | 8,934 | - | 5,322 | 14,256 | - | (12,716) | 1,540 |
| Plant and equipment | 1,105 | 623 | - | 1,728 | 913 | - | 2,641 |
| Provisions | (15,572) | (1,968) | - | (17,540) | (2,214) | - | (19,754) |
| Deferred tax (assets)/liabilities | (5,533) | (1,345) | 5,322 | (1,556) | (1,301) | (12,716) | (15,573) |

10. Reinsurance assets

| | Note | 2021 RM'000 | 2020 RM'000 |
|------------------------------------|------|------------------|----------------|
| Reinsurance of insurance contracts | | | |
| Claims liabilities | 17.1 | 1,121,865 | 350,182 |
| Premium liabilities | 17.2 | 108,354 | 103,731 |
| | | 1,230,219 | 453,913 |

11. Loans and receivables, excluding insurance receivables

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| Staff loans: | | |
| Receivable within twelve months | 10 | 10 |
| Receivable after twelve months | 88 | 98 |
| | 98 | 108 |
| Fixed and call deposits with maturity > 3 months with licensed financial institutions: - Licensed banks in Malaysia | 718,965 | 675,252 |
| Other receivables: | | |
| Other receivables, deposits and prepayments | 12,698 | 12,326 |
| Income due and accrued | 12,244 | 12,463 |
| Amount due from immediate holding company | 140 | 181 |
| | 25,082 | 24,970 |
| Less: Impairment allowance | (34) | (35) |
| | 25,048 | 24,935 |
| Total loans and receivables, excluding insurance receivables | 744,111 | 700,295 |

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:

| | 2021 RM'000 | 2020 RM'000 |
|-------------|----------------|----------------|
| Staff loans | 88 | 98 |

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 | 2021 RM'000 | 2020 RM'000 |
|---|------|-----------------------|-----------------------|
| Due premiums including agents/ brokers, co-insurers and insureds | | 166,525 | 164,316 |
| Due from reinsurers and cedants | | 10,430 | 3,531 |
| Amount due from immediate holding company | 12.1 | 328 | - |
| Amount due from related companies | 12.1 | 156 | 249 |
| Amount due from affiliated companies | 12.1 | 5,656 | 4,651 |
| | | <u>183,095</u> | <u>172,747</u> |
| Less: Impairment allowance | 12.2 | (2,307) | (1,941) |
| | | <u>180,788</u> | <u>170,806</u> |

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 RM22,000 (2020: RM744,000).

13. Deferred acquisition costs

| | Note | 2021 RM'000 | 2020 RM'000 |
|--------------------------|------|------------------------|------------------------|
| Gross | | | |
| At 1 January | | 82,041 | 85,375 |
| Movement during the year | 25 | 3,767 | (3,334) |
| At 31 December | | <u>85,808</u> | <u>82,041</u> |
| Reinsurance | | | |
| At 1 January | | (12,525) | (13,549) |
| Movement during the year | 25 | (280) | 1,024 |
| At 31 December | | <u>(12,805)</u> | <u>(12,525)</u> |
| Net | | | |
| At 1 January | | 69,516 | 71,826 |
| Movement during the year | | 3,487 | (2,310) |
| At 31 December | | <u>73,003</u> | <u>69,516</u> |

14. Cash and cash equivalents

| | 2021 RM'000 | 2020 RM'000 |
|---|-----------------------|-----------------------|
| Fixed and call deposits with licensed banks in Malaysia | 107,523 | 190,749 |
| Cash and bank balances | 31,004 | 26,171 |
| | <u>138,527</u> | <u>216,920</u> |

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

15. Share capital

| | 2021 | | 2020 | |
|--|------------------|-----------------------------|------------------|-----------------------------|
| | Amount RM'000 | Number of shares '000 | Amount RM'000 | Number of shares '000 |
| 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 | 2021 | | 2020 | |
|--|------|------------------|-----------------------|------------------|-----------------------|
| | | Gross RM'000 | Reinsurance RM'000 | Gross RM'000 | Reinsurance RM'000 |
| | | | Net RM'000 | | Net RM'000 |
| Provision for claims reported by policyholders | | 1,658,373 | (815,938) | 1,127,700 | (331,954) |
| Provision for IBNR | | 297,764 | (305,927) | 5,139 | (18,228) |
| | | | | | |
| Provision for outstanding claims | 17.1 | 1,956,137 | (1,121,865) | 1,132,839 | (350,182) |
| Provision for unearned premiums | 17.2 | 765,102 | (108,354) | 734,098 | (103,731) |
| | | | | | |
| | | 2,721,239 | (1,230,219) | 1,866,937 | (453,913) |
| | | | 1,491,020 | | 1,413,024 |
| | | | | | |
| | | | Note 10 | | Note 10 |

17. Insurance contract liabilities (continued)

17.1 Provision for outstanding claims

| | Note | 2021 | | 2020 | |
|--|------|------------------|-----------------------|------------------|-----------------------|
| | | Gross RM'000 | Reinsurance RM'000 | Gross RM'000 | Reinsurance RM'000 |
| At 1 January | | 1,132,839 | (350,182) | 1,111,532 | (299,100) |
| Claims incurred in the current accident year | | 1,430,372 | (829,053) | 766,170 | (182,637) |
| Adjustment to claims incurred in prior accident years | | (132,885) | 27,257 | (124,479) | 34,900 |
| Adjustment to claims incurred in the ex-HLA run-off portfolio | | (1,196) | 39 | 104 | 24 |
| Movement in PRAD of claims liabilities at 75% confidence level | | 82,711 | (81,282) | 2,367 | (3,215) |
| Movement in claims handling expenses | | 8,244 | - | 3,182 | - |
| Claims paid during the year | 27 | (563,948) | 111,900 | (626,037) | 99,736 |
| Movement in reinsurance default provision | | - | (544) | - | 110 |
| At 31 December | | 1,956,137 | (1,121,865) | 1,132,839 | (350,182) |
| | | | | | 782,657 |

17.2 Provision for unearned premiums

| | Note | 2021 | | 2020 | |
|---------------------------------|------|-----------------|-----------------------|-----------------|-----------------------|
| | | Gross RM'000 | Reinsurance RM'000 | Gross RM'000 | Reinsurance RM'000 |
| At 1 January | | 734,098 | (103,731) | 744,917 | (109,705) |
| Premiums written in the year | | 1,477,731 | (343,965) | 1,403,123 | (272,746) |
| Premiums earned during the year | 22 | (1,446,727) | 339,342 | (1,413,942) | 278,720 |
| At 31 December | | 765,102 | (108,354) | 734,098 | (103,731) |
| | | | | | 630,367 |

18. Lease liabilities

Leases as lessee

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| Lease liabilities are payable as follows: | | |
| - Within next 12 months | 8,426 | 9,417 |
| - After next 12 months | 27,839 | 31,083 |
| | 36,265 | 40,500 |

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

| | Note | 2021 RM'000 | 2020 RM'000 |
|---------------------------------------|------|----------------|----------------|
| At 1 January | | 40,500 | 11,719 |
| Net changes from financing cash flows | | (10,588) | (11,763) |
| Acquisition of new lease | 4 | 4,423 | 38,926 |
| Interest on lease liabilities | 28 | 2,211 | 934 |
| Remeasurement of lease liabilities | | (281) | 684 |
| At 31 December | | 36,265 | 40,500 |

18.2 Amount recognised in statement of cash flows

| | Note | 2021 RM'000 | 2020 RM'000 |
|--|------|-----------------|-----------------|
| Included in net cash from operating activities: | | | |
| Payment relating to short-term leases | 28 | (307) | (315) |
| Included in net cash from financing activities: | | | |
| Payment of lease liabilities | | (10,588) | (11,763) |
| Total cash outflows for leases | | (10,895) | (12,078) |

19. Other financial liabilities

| | Note | 2021 RM'000 | 2020 RM'000 |
|--|------|----------------|----------------|
| Cash collateral deposits received from policyholders | 19.1 | 18,531 | 19,516 |
| Deposit received from reinsurers | | 7,215 | 5,516 |
| | | 25,746 | 25,032 |

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

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| Due to reinsurers and cedants | 137,500 | 81,147 |
| Due to agents/brokers, co-insurers and insureds | 26,822 | 23,720 |
| Amount due to immediate holding company | - | 1,086 |
| Amount due to related companies | 2,076 | 2,881 |
| Amount due to affiliated companies | 314 | 524 |
| | 166,712 | 109,358 |

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 | 2021 RM'000 | 2020 RM'000 |
|--|------|----------------|----------------|
| Other payables | | 47,126 | 29,993 |
| Accrued expenses | | 41,457 | 60,035 |
| Provision | 39 | 16,080 | 16,080 |
| Amount due to former immediate holding company | 21.1 | - | 3,986 |
| Amount due to related companies | 21.1 | 4,552 | 157 |
| | | 109,215 | 110,251 |

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.

22. Operating revenue

| | Note | Shareholders fund RM'000 | General business RM'000 | Total RM'000 |
|-----------------------|------|--------------------------------|-------------------------------|------------------|
| 2021 | | | | |
| Gross earned premiums | | - | 1,446,727 | 1,446,727 |
| Investment income | 23 | 51 | 93,422 | 93,473 |
| | | 51 | 1,540,149 | 1,540,200 |
| 2020 | | | | |
| Gross earned premiums | | - | 1,413,942 | 1,413,942 |
| Investment income | 23 | 34 | 109,503 | 109,537 |
| | | 34 | 1,523,445 | 1,523,479 |

23. Investment income

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| AFS financial assets | | |
| Dividend/distribution income: | | |
| - Equity securities quoted in Malaysia | 8,334 | 6,904 |
| - Unquoted equity securities in Malaysia | 170 | 170 |
| - Unit Trusts | 21,485 | 17,815 |
| - Controlled Structured Entities | 46,104 | 52,222 |
| Interest/profit income: | | |
| - Government Investment Issues | - | 186 |
| - Government Guaranteed Bonds | - | 151 |
| - Corporate debt securities | - | 4,084 |
| Amortisation of premiums, net of accretion of discounts | - | (47) |
| Loans and receivables and cash and cash equivalents: | | |
| Interest/profit income | 17,380 | 28,052 |
| | 93,473 | 109,537 |

24. Realised gains and losses

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| Realised gains for: | | |
| Plant and equipment | 546 | 468 |
| AFS financial assets | | |
| Quoted equity securities in Malaysia | 12,235 | 32,403 |
| Unit trust and controlled structured entities | 1,782 | 1,027 |
| Government Investment Issues | - | 623 |
| Government Guaranteed Bonds | - | 481 |
| Corporate debt securities | - | 8,214 |
| | 14,563 | 43,216 |

25. Commission income/(expense)

| | Note | 2021 RM'000 | 2020 RM'000 |
|---------------------------------------|------|------------------|------------------|
| Commission income | | | |
| Commission income | | 49,292 | 43,236 |
| Movement in deferred acquisition cost | 13 | (280) | 1,024 |
| | | 49,012 | 44,260 |
| Commission expense | | | |
| Commission expense | | (169,945) | (165,457) |
| Movement in deferred acquisition cost | 13 | 3,767 | (3,334) |
| | | (166,178) | (168,791) |

26. Other operating income/(expense)

| | 2021 RM'000 | 2020 RM'000 |
|--------------------------------|----------------|----------------|
| Other operating income | | |
| Interest on staff housing loan | 4 | 5 |
| Sundry income | 676 | 4,065 |
| | 680 | 4,070 |
| Other operating expense | | |
| Sundry expense | (5,225) | (3,478) |

27. Net claims incurred

| | 2021 RM'000 | 2020 RM'000 |
|-----------------------------------|----------------|----------------|
| Gross claims paid less salvage | 563,948 | 626,037 |
| Reinsurance recoveries | (111,900) | (99,736) |
| Net claims paid | 452,048 | 526,301 |
| Net change in claims liabilities: | | |
| At 31 December | 834,272 | 782,657 |
| At 1 January | (782,657) | (812,432) |
| | 503,663 | 496,526 |

28. Management expenses

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|------|----------------|----------------|
| Employee benefits expenses | 28.1 | 116,003 | 116,086 |
| Senior Management cash-based remuneration | | | |
| - Fixed | | 4,681 | 5,083 |
| - Variable | | 1,501 | 1,302 |
| Chief Executive Officer's remuneration | 29 | 2,556 | 2,484 |
| Non-Executive Directors' remuneration | 29 | 1,049 | 890 |
| Allowance for impairment on insurance | | 388 | 411 |
| Amortisation of intangible assets | 6 | 2,846 | 3,007 |
| Auditors' remuneration | | | |
| - Audit fees | | 657 | 503 |
| - Non-audit fees | 28.2 | 180 | 43 |
| Bad debts written off | | 24 | 7 |
| Depreciation of investment property | 5 | 5 | 4 |
| Depreciation of plant and equipment | 3 | 4,894 | 5,325 |
| Depreciation of right-of-use assets | 4 | 9,937 | 10,458 |
| Expenses arising from short-term leases* | 18.2 | 307 | 315 |
| Interest on lease liabilities | 18.1 | 2,211 | 934 |
| Other expenses | | 93,252 | 113,148 |
| | | 240,491 | 260,000 |

* The Company leases 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 Company has elected not to recognise right-of-use assets and lease liabilities.

28. Management expenses (continued)

28.1 Employee benefits expenses

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| Wages, salaries and others | 99,457 | 99,887 |
| Social security contributions | 931 | 946 |
| Contribution to Employees' Provident Fund | 15,186 | 14,620 |
| Contribution to retirement gratuities | 429 | 633 |
| | 116,003 | 116,086 |

28.2 Non-audit fees

The non-audit fees of RM138,000 (2020: RM10,000) 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 2021 are as follows:

| 2021 | 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 | - | 1,602 | 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.

29. Key management personnel compensation (continued)

Details of the Directors' and Chief Executive Officer's remuneration (including benefits-in-kind) for the financial year 2020 are as follows:

| 2020 | 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 | - | 1,520 | 621 | 343 | - | 44 | 2,528 |
| Executive Director - Mr. Alan John Wilson | - | - | - | - | - | - | - |
| Non-Executive Directors | | | | | | | |
| - Dato' Mohd. Sallehuddin bin Othman | 91 | - | - | - | 109 | - | 200 |
| - Ms. Pearl Chan Siew Cheng | 73 | - | - | - | 112 | - | 185 |
| - Dato' Muthanna bin Abdullah | 73 | - | - | - | 109 | - | 182 |
| - Mr. Iichiro Sadamoto* | 73 | - | - | - | 64 | - | 137 |
| - Mr. Lim Tiang Siew | 73 | - | - | - | 62 | - | 135 |
| - Ms. Gan Bee Lan | 27 | - | - | - | 24 | - | 51 |
| - Ms. Loh Guat Lan | - | - | - | - | - | - | - |
| Total Directors' Remuneration (including benefits-in-kind) | 410 | - | - | - | 480 | - | 890 |
| Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind) | 410 | 1,520 | 621 | 343 | 480 | 44 | 3,418 |

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

30. Tax expense

| | Note | 2021 RM'000 | 2020 RM'000 |
|---|------|-----------------------|-----------------------|
| Current tax expense | | | |
| Malaysian - current | | 66,364 | 80,914 |
| - prior years | | (1,448) | 1,601 |
| | | <u>64,916</u> | <u>82,515</u> |
| Deferred tax expense | | | |
| Malaysian - current | | (1,894) | (1,806) |
| - prior years | | 593 | 461 |
| | 9 | <u>(1,301)</u> | <u>(1,345)</u> |
| Total tax expense | | <u>63,615</u> | <u>81,170</u> |
| Reconciliation of tax expense | | | |
| Profit for the year | | 280,047 | 290,589 |
| Tax expense | | <u>63,615</u> | <u>81,170</u> |
| Profit before taxation | | <u>343,662</u> | <u>371,759</u> |
| Income tax using Malaysian tax rate of 24% | | 82,479 | 89,222 |
| Effect of tax rate change | 30.1 | (3,086) | - |
| Non-deductible expenses | | 3,735 | 7,741 |
| Tax exempt income | | (18,721) | (17,868) |
| Other items | | 63 | 13 |
| | | <u>64,470</u> | <u>79,108</u> |
| (Over)/Under provision in prior years | | | |
| - Current tax | | (1,448) | 1,601 |
| - Deferred tax | | 593 | 461 |
| Tax expense | | <u>63,615</u> | <u>81,170</u> |
| Income tax recognised directly in equity | | | |
| Available-for-sale financial assets | | <u>12,716</u> | <u>(5,322)</u> |

30.1 The effect of tax rate change is arising from the Prosperity Tax ("Cukai Makmur") implemented by the Malaysian government as part of 2022 National Budget. As such, deferred tax assets or liabilities recognised during the year which are expected to be realised during year 2022 are required to be calculated using a blended tax rate between 24% tax rate applied on the first RM100 million chargeable income and the excess of RM100 million chargeable income at 33%. The effect disclosed is the difference between the deferred tax computation using the blended tax rate and the usual Malaysian tax rate of 24%.

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 RM280,047,000 (2020: RM290,589,000) and the weighted average number of ordinary shares outstanding during the year of 333,143,000 (2020: 333,143,000).

32. Dividends

Dividends recognised by the Company are:

| | Sen per share net of tax | Total amount RM'000 | Date of payment |
|---------------------------|--------------------------------|---------------------------|-----------------|
| 2021 | | | |
| Interim 2021 - tax-exempt | 80.00 | <u>266,514</u> | 07 Oct 2021 |
| 2020 | | | |
| Interim 2019 - tax-exempt | 28.00 | 93,280 | 05 Mar 2020 |
| Final 2019 - tax-exempt | 12.00 | <u>39,977</u> | 05 Aug 2020 |

The Directors do not recommend any final dividend to be paid for the financial year under review.

33. Capital expenditure commitments

| | 2021 RM'000 | 2020 RM'000 |
|-----------------------------------|----------------|----------------|
| Plant and equipment | | |
| Authorised but not contracted for | 524 | 2,142 |
| Contracted but not provided for | <u>4,632</u> | <u>6,216</u> |

34. Significant related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has 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 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 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 Company and including other corporations related to the first mentioned corporation.

(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 Company either directly or indirectly. The compensation for Company's Chief Executive Officer, Executive and Non-Executive Directors are disclosed in Note 29.

34. Significant related party disclosures (continued)

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 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.

| | 2021 RM'000 | 2020 RM'000 |
|---|----------------|----------------|
| Holding company | | |
| RI premium paid to | 55,465 | 51,888 |
| RI commission received from | (10,195) | (9,273) |
| Claims recoveries received from | (23,522) | (28,926) |
| Claims settling fee received from | (305) | (343) |
| Recovery of expenses paid on behalf received from | (1,461) | (1,516) |
| Fellow subsidiary companies | | |
| RI premium paid to | 16,222 | 14,603 |
| RI commission received from | (2,997) | (2,771) |
| Claims recoveries received from | (7,928) | (3,752) |
| Service fee paid to | 4,286 | 3,662 |
| Recovery of expenses paid on behalf received from | 223 | - |
| Affiliated companies | | |
| Premium income received from | (101,696) | (96,189) |
| Commission expense paid to | 12,999 | 12,638 |
| Claims paid to | 16,044 | 22,900 |
| Bank merchant fees paid to | 2,370 | 2,520 |
| Interest/Dividend income received from | (4,077) | (6,214) |
| Marketing expenses paid to | 2,536 | 1,188 |
| Service/Admin fees paid to | 115 | 358 |

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.

35. Risk Management Framework (continued)

- 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:

- 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
- To maintain a sound Capital Management to ensure insurers operate at a level above ITCL all the time.

MSIG 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.

MSIG 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 stand point 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 Company underwrites 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 Company faces 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 Company is 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 such as the COVID-19 pandemic.

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

- 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 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.
- Reinsurance is used to limit 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 Company's insurance business by type of product based on gross and net written premiums.

| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|-------------------------|-------------------------------|-----------------------|
| 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 |
| 2020 | | | |
| Motor | 598,859 | (19,033) | 579,826 |
| Fire | 395,421 | (148,944) | 246,477 |
| Marine Cargo, Aviation Cargo, and Transit | 90,794 | (27,998) | 62,796 |
| Miscellaneous | 318,049 | (76,771) | 241,278 |
| | 1,403,123 | (272,746) | 1,130,377 |

36. Insurance risk (continued)

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

| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|------------------|-----------------------|------------------|
| 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 |
| 2020 | | | |
| Motor | 894,044 | (21,153) | 872,891 |
| Fire | 444,715 | (252,155) | 192,560 |
| Marine Cargo, Aviation Cargo, and Transit | 108,772 | (57,390) | 51,382 |
| Miscellaneous | 419,406 | (123,215) | 296,191 |
| | 1,866,937 | (453,913) | 1,413,024 |

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 Company has 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 Company's estimation process in respect of its insurance contracts. The analysis presented in page 104 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.

36. Insurance risk (continued)

Sensitivity analysis of insurance liabilities (continued)

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

- Initial Expected Loss Ratio ("IELR") for accident year 2021
- Selected Ultimate Loss Ratio ("ULR") for accident year 2021

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:

| | IELR | | ULR | |
|-----------------------------|----------------|-----------------|----------------|-----------------|
| | +15% RM'000 | -15% RM'000 | +15% RM'000 | -15% RM'000 |
| 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) |
| 2020 | | | | |
| Premium liabilities | - | - | - | - |
| Claim liabilities | 8,696 | (8,696) | 94,020 | (92,758) |
| Total | 8,696 | (8,696) | 94,020 | (92,758) |
| Impact on profit before tax | 8,696 | (8,696) | 94,020 | (92,758) |
| Impact on equity * | 6,609 | (6,609) | 71,455 | (70,496) |

* 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 2021:

| Accident year | Before 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | Total RM'000 |
|---|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| 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):

| | Note | Before 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | Total RM'000 |
|--|------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| 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 PRAD at 75% confidence level | | | | | | | | | | | 49,722 |
| Gross general insurance contract liabilities per statement of financial position | 17.1 | | | | | | | | | | 153,133 |
| | | | | | | | | | | | 1,956,137 |

36. Insurance risk (continued)**Gross general insurance contract liabilities for 2020:**

| Accident year | Before 2013 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | Total RM'000 |
|---|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| At end of accident year | | 946,043 | 985,708 | 1,052,072 | 1,017,482 | 1,041,781 | 1,067,931 | 996,844 | 766,170 | |
| One year later | | 802,475 | 866,421 | 961,550 | 927,017 | 952,318 | 935,844 | 899,592 | | |
| Two years later | | 779,716 | 800,218 | 945,176 | 863,918 | 915,036 | 912,711 | | | |
| Three years later | | 759,358 | 793,142 | 922,370 | 865,504 | 921,686 | | | | |
| Four years later | | 760,058 | 778,774 | 916,523 | 869,712 | | | | | |
| Five years later | | 758,652 | 775,433 | 917,924 | | | | | | |
| Six years later | | 741,258 | 757,900 | | | | | | | |
| Seven years later | | 739,559 | | | | | | | | |
| Current estimate of cumulative claims incurred | | 739,559 | 757,900 | 917,924 | 869,712 | 921,686 | 912,711 | 899,592 | 766,170 | |
| At end of accident year | | 352,882 | 388,474 | 411,604 | 446,983 | 446,741 | 458,071 | 452,758 | 302,270 | |
| One year later | | 632,151 | 654,121 | 773,865 | 724,731 | 764,381 | 732,345 | 670,035 | | |
| Two years later | | 690,446 | 714,733 | 832,312 | 778,128 | 819,994 | 794,294 | | | |
| Three years later | | 710,880 | 730,243 | 856,957 | 805,614 | 847,602 | | | | |
| Four years later | | 720,415 | 738,804 | 863,987 | 813,486 | | | | | |
| Five years later | | 731,309 | 742,562 | 866,221 | | | | | | |
| Six years later | | 734,678 | 745,228 | | | | | | | |
| Seven years later | | 736,093 | | | | | | | | |
| Cumulative payments to-date | | 736,093 | 745,228 | 866,221 | 813,486 | 847,602 | 794,294 | 670,035 | 302,270 | |

36. Insurance risk (continued)

Gross general insurance contract liabilities for 2020 (continued):

| | Note | Before 2013 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | Total RM'000 |
|--|------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Gross general insurance liabilities (direct, facultative and treaty inward) | | 10,914 | 3,466 | 12,672 | 51,703 | 56,226 | 74,084 | 118,417 | 229,557 | 463,900 | 1,020,939 |
| Claims handling expenses PRAD at 75% confidence level | | | | | | | | | | | 41,478 |
| Gross general insurance contract liabilities per statement of financial position | 17.1 | | | | | | | | | | 70,422 |
| | | | | | | | | | | | 1,132,839 |

36. Insurance risk (continued)

Net general insurance contract liabilities for 2021:

| Accident year | Before 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | Total RM'000 |
|---|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| 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 | |

36. Insurance risk (continued)

Net general insurance contract liabilities for 2021 (continued):

| | Note | Before 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | Total RM'000 |
|--|------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Net general insurance liabilities (direct, facultative and treaty inward) | | 6,661 | 3,181 | 10,754 | 34,127 | 42,056 | 69,449 | 96,170 | 123,203 | 351,035 | 736,636 |
| Claims handling expenses PRAD at 75% confidence level | | | | | | | | | | | 49,722 |
| Reinsurance default provision | | | | | | | | | | | 45,523 |
| Net general insurance contract liabilities per statement of financial position | 17.1 | | | | | | | | | | 2,391 |
| | | | | | | | | | | | 834,272 |

36. Insurance risk (continued)

Net general insurance contract liabilities for 2020:

| Accident year | Before 2013 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | Total RM'000 |
|---|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| At end of accident year | | 687,177 | 725,556 | 754,510 | 795,839 | 792,408 | 853,349 | 798,559 | 597,561 | |
| One year later | | 647,924 | 695,209 | 688,712 | 730,627 | 753,959 | 793,492 | 732,063 | | |
| Two years later | | 629,521 | 660,227 | 668,370 | 701,786 | 730,208 | 767,119 | | | |
| Three years later | | 618,735 | 652,496 | 662,690 | 701,734 | 728,926 | | | | |
| Four years later | | 616,447 | 647,986 | 659,127 | 703,567 | | | | | |
| Five years later | | 614,401 | 646,497 | 658,335 | | | | | | |
| Six years later | | 601,537 | 633,552 | | | | | | | |
| Seven years later | | 599,643 | | | | | | | | |
| Current estimate of cumulative claims incurred | | 599,643 | 633,552 | 658,335 | 703,567 | 728,926 | 767,119 | 732,063 | 597,561 | |
| At end of accident year | | 319,751 | 346,145 | 349,673 | 399,332 | 420,136 | 424,354 | 405,388 | 282,149 | |
| One year later | | 536,915 | 561,016 | 558,268 | 604,072 | 621,758 | 646,438 | 575,984 | | |
| Two years later | | 573,094 | 600,813 | 597,759 | 641,438 | 661,529 | 686,605 | | | |
| Three years later | | 585,042 | 613,145 | 616,676 | 658,457 | 678,555 | | | | |
| Four years later | | 591,645 | 619,870 | 621,163 | 665,339 | | | | | |
| Five years later | | 595,167 | 622,744 | 623,182 | | | | | | |
| Six years later | | 596,782 | 624,936 | | | | | | | |
| Seven years later | | 597,287 | | | | | | | | |
| Cumulative payments to-date | | 597,287 | 624,936 | 623,182 | 665,339 | 678,555 | 686,605 | 575,984 | 282,149 | |

36. Insurance risk (continued)

Net general insurance contract liabilities for 2020 (continued):

| | Note | Before 2013 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | Total RM'000 |
|--|------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Net general insurance liabilities (direct, facultative and treaty inward) | | 7,421 | 2,356 | 8,616 | 35,153 | 38,228 | 50,371 | 80,514 | 156,079 | 315,412 | 694,150 |
| Claims handling expenses PRAD at 75% confidence level | | | | | | | | | | | 41,478 |
| Reinsurance default provision | | | | | | | | | | | 44,094 |
| Net general insurance contract liabilities per statement of financial position | 17.1 | | | | | | | | | | 2,935 |
| | | | | | | | | | | | 782,657 |

37. Financial risks

In addition to insurance risks, the Company is 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 Company is 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 Company has established robust processes to monitor and address these risks on an ongoing basis.

The policies and measures undertaken by 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 Company as and when they fall due.

The Company monitors and manages 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 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 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 Company also has guidelines to evaluate intermediaries before their appointment.

The Company manages 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 Company cedes business to reinsurers that satisfy the minimum credit rating requirements of the Company.

In relation to its credit risk exposure from fixed income securities, the Company evaluates and assesses 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 Company manages 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.

Credit exposure

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

| | 2021 RM'000 | 2020 RM'000 |
|--|------------------|------------------|
| Reinsurance assets | 1,230,219 | 453,913 |
| Loans and receivables, excluding insurance receivables and prepayments | 739,415 | 695,543 |
| Insurance receivables | 180,788 | 170,806 |
| Cash and cash equivalents | 138,527 | 216,920 |
| | 2,288,949 | 1,537,182 |

37. Financial risks (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to 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 |
|--|---------------------------|---|---------------------------------------|------------------|
| 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 |
| 2020 | | | | |
| Reinsurance assets | 453,913 | - | - | 453,913 |
| Loans and receivables, excluding insurance receivables and prepayments | 695,543 | - | 34 | 695,577 |
| Insurance receivables | 160,005 | 10,801 | 1,941 | 172,747 |
| Cash and cash equivalents | 216,920 | - | - | 216,920 |
| | 1,526,381 | 10,801 | 1,975 | 1,539,157 |
| Impairment allowance | - | - | (1,975) | (1,975) |
| | 1,526,381 | 10,801 | - | 1,537,182 |

37. Financial risks (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure 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.

| | 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 |
|--|----------------|----------------|----------------|---------------|--------------|-------------|---------------------|------------------|
| 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 |
| 2020 | | | | | | | | |
| Reinsurance assets | - | 36,092 | 257,262 | - | - | 373 | 160,186 | 453,913 |
| Loans and receivables, excluding insurance receivables and prepayments | 369,760 | 233,000 | 72,492 | - | - | - | 20,291 | 695,543 |
| Insurance receivables | - | 192 | 342 | - | 641 | - | 169,631 | 170,806 |
| Cash and cash equivalents | 148,449 | 61,298 | 7,144 | - | - | - | 29 | 216,920 |
| | 518,209 | 330,582 | 337,240 | - | 641 | 373 | 350,137 | 1,537,182 |

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 |
|-----------------------|------------------------|-------------------------|-------------------------|-----------------------|-----------------|
| 2021 | | | | | |
| Insurance receivables | 4,975 | 1,611 | 2,651 | 1,053 | 10,290 |
| 2020 | | | | | |
| Insurance receivables | 5,451 | 1,501 | 2,613 | 1,236 | 10,801 |

Impaired financial assets

At 31 December 2021, based on a collective and individual assessment of receivables, there are impaired insurance receivables of RM2,307,000 (2020: RM1,941,000). The Company records 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 |
| At 1 January 2020 | 744 | 1,530 | 2,274 |
| Amount written off | (744) | - | (744) |
| Movement during the year | 1,367 | (956) | 411 |
| At 31 December 2020/1 January 2021 | 1,367 | 574 | 1,941 |
| Amount written off | (22) | - | (22) |
| Movement during the year | 359 | 29 | 388 |
| At 31 December 2021 | 1,704 | 603 | 2,307 |

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost 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 Company manages 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 Company also observes principles on asset-liability management and ensures that the average investment duration and maturity profiles match the Company's liabilities.

The Company's treaty reinsurance contracts contains a "cash call" clause which enables 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 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.

| | 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 |
| 2020 | | | | | | | |
| Insurance contract liabilities | 1,132,839 | - | 1,132,839 | 774,361 | 315,429 | 39,510 | 3,539 |
| Lease liabilities | 40,500 | 7.6% to 8.1% | 47,020 | 11,485 | 17,803 | 15,846 | 1,886 |
| Other financial liabilities | 25,032 | - | 25,032 | 25,032 | - | - | - |
| Insurance payables | 109,358 | - | 109,358 | 109,358 | - | - | - |
| Other payables | 110,251 | - | 110,251 | 110,251 | - | - | - |
| Total liabilities | 1,417,980 | | 1,424,500 | 1,030,487 | 333,232 | 55,356 | 5,425 |

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 Company manages its market risk by setting policies on asset allocation, investment limits and diversification benchmarks. These policies have been set in line with 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 Company's business is conducted primarily in Malaysia, 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 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 Company to cash flow interest/profit risk, whereas fixed rates/yield instruments expose the Company to fair value interest/profit risk.

The Company's exposure to interest rate risk arises primarily from investments in fixed income securities, deposits with licensed institutions and lease liabilities.

The Company has no significant concentration of interest rate/profit yield risk.

As the Company mainly invests 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 Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 2021 RM'000 | 2020 RM'000 |
|-------------------------------|----------------|----------------|
| Fixed rate instruments | | |
| Fixed and call deposits | 826,488 | 866,001 |
| Lease liabilities | (36,265) | (40,500) |
| | 790,223 | 825,501 |

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does 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 effect of change in interest rates are disclosed in price risk disclosure (see page 119).

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 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 Company manages 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 Company has 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 | 2021 | | 2020 | |
|--------------|---------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | | Impact on income statement RM'000 | Impact on equity* RM'000 | Impact on income statement RM'000 | Impact on equity* RM'000 |
| Market price | +10% | - | 23,464 | - | 13,163 |
| Market price | -10% | - | (23,464) | - | (13,163) |

| | Change in variables | 2021 | | 2020 | |
|---------------|---------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | | Impact on income statement RM'000 | Impact on equity* RM'000 | Impact on income statement RM'000 | Impact on equity* RM'000 |
| Interest rate | +25 basis points | - | (2,788) | - | (2,341) |
| Interest rate | -25 basis points | - | 2,788 | - | 2,341 |

* 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.

Operational risks

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.

37. Financial risks (continued)

Operational risks (continued)

The Company mitigates 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/GL/013-3 Guidelines on Business Continuity Management (Revised)) 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 the 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 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.

| | 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 | | |
| 2021 | | | | | | | | |
| Financial assets | | | | | | | | |
| AFS Financial assets | | | | | | | | |
| Equity securities in corporations: | | | | | | | | |
| Quoted in Malaysia | 308,742 | - | - | - | - | - | 308,742 | 308,742 |
| Unit trust and controlled structured entities | 2,279,515 | - | - | - | - | - | 2,279,515 | 2,279,515 |
| | 2,588,257 | - | - | - | - | - | 2,588,257 | 2,588,257 |
| 2020 | | | | | | | | |
| Financial assets | | | | | | | | |
| AFS Financial assets | | | | | | | | |
| Equity securities in corporations: | | | | | | | | |
| Quoted in Malaysia | 173,201 | - | - | - | - | - | 173,201 | 173,201 |
| Unit trust and controlled structured entities | 2,305,034 | - | - | - | - | - | 2,305,034 | 2,305,034 |
| | 2,478,235 | - | - | - | - | - | 2,478,235 | 2,478,235 |

37. Financial risks (continued)

Fair value information (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 (2020: 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.

38. Regulatory capital requirements (continued)

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

| | Note | 2021 RM'000 | 2020 RM'000 |
|--|------|-------------------------|-------------------------|
| Eligible Tier 1 Capital | | | |
| Share capital | 15 | 1,511,546 | 1,511,546 |
| Reserves, excluding fair value reserve | | 1,574,695 | 1,561,162 |
| | | <u>3,086,241</u> | <u>3,072,708</u> |
| Tier 2 Capital | | | |
| Eligible reserves – Fair value reserve | | 4,873 | 45,142 |
| Amount deducted from capital | | (1,160,967) | (1,148,449) |
| Total capital available | | <u><u>1,930,147</u></u> | <u><u>1,969,401</u></u> |

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.

Based on these developments, MSIG has made provision of RM16,079,513 in the previous financial year ended 31 December 2020. There has been no major development relating to this case since the provision was made.

40. Comparative figures

Certain comparative information have been reclassified to conform with current year's presentation:

| 2020 | As previously stated RM'000 | Reclassification RM'000 | As restated RM'000 |
|---|-----------------------------------|----------------------------|--------------------------|
| Statement of profit or loss and other comprehensive income | | | |
| Other operating income* | 592 | 3,478 | 4,070 |
| Other operating expense* | - | (3,478) | (3,478) |
| Statement of cash flows | | | |
| Allowance for impairment loss on insurance receivables** | - | 411 | 411 |
| Reversal of impairment loss on loans and receivables** | - | (21) | (21) |
| Bad debts written off** | - | 7 | 7 |
| Change in insurance receivable** | 14,902 | (418) | 14,484 |
| Change in loans and receivables** | 62,447 | 21 | 62,468 |

* In previous financial years, other operating expense was classified in other operating income in the statement of profit or loss and other comprehensive income.

** In previous financial years, allowance for impairment loss on insurance receivables, reversal of impairment loss on loans and receivables and bad debts written off were not presented as a separate adjustment in the statement of cash flows.

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 54 to 124 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 Company as of 31 December 2021 and of its 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' Mohd. Sallehuddin bin Othman
Director

.....
Mr. Lim Tiang Siew
Director

Kuala Lumpur
Date: 23 March 2022

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 54 to 124 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 23 March 2022.

.....
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 statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and 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 Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' report (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the Chairman's statement and Financial highlights, which are expected to be made available to us after this date.

Our opinion on the financial statements of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 on the Directors' report that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of the Directors' report, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's statement and Financial highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standard on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability 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 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 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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other 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: 23 March 2022

Mok Wan Kong
Approval Number: 02877/12/2022 J
Chartered Accountant



MSIG Insurance (Malaysia) Bhd

197901002705 (46983-W)

Head Office: Customer Service Centre,
Level 15, Menara Hap Seng 2, Plaza Hap Seng,
No. 1, Jalan P. Ramlee,
50250 Kuala Lumpur.
Tel: +603 2050 8228, Fax: +603 2026 8086
Customer Service Hotline: 1-800-88-MSIG (6744)
Email: myMSIG@my.msig-asia.com
Website: www.msig.com.my



www.facebook.com/MSIGMY

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