



# 2021 Annual Report

**QBE INSURANCE (MALAYSIA) BERHAD**  
Registration No.: 198701002415 (161086-D)



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# Corporate information

## Board of directors

### **Arunothayam Rajaratnam**

*LL.B Honours 1974 (Singapore University)  
Admitted as an Advocate & Solicitor of Singapore Bar, 1975  
Chartered Insurance Practitioner, 1995  
(Chartered Insurance Institute of United Kingdom)*

### **Dato' Tan Ang Meng**

*Certified Public Accountant (CPA), Malaysia*

### **Jason Andrew Hammond**

*Bachelor of Business (Accounting)  
Master of Business Administration  
Member of Certified Public Accountant (CPA), Australia*

### **Saw Teow Yam**

*Bachelor of Economics (Honours)*

## Company secretary

### **Yeow Sze Min**

*MAICSA 7065735 PRACTITIONER  
SSM PC NO. 201908003120*

## Registered office

No.638, Level 6, Block B1,  
Pusat Dagang Setia Jaya  
(Leisure Commerce Square),  
No. 9, Jalan PJS 8/9,  
46150 Petaling Jaya,  
Selangor Darul Ehsan,  
Malaysia.

## Auditors

PricewaterhouseCoopers PLT

## Solicitors

Skrine

## Main banker

Citibank Berhad

## Our Purpose

### We give people the confidence to achieve their ambitions

Everyone has ambitions and goals - both personal and professional. We give people the confidence to achieve them by helping them manage risks so they can focus on the outcome they desire, not the potential barriers holding them back.

## Our Vision

### To be the insurer that builds the strongest partnerships with customers

Our customers are defined very broadly. This means there are many different stakeholder groups we are committed to building the strongest partnerships with - they include our major trading partners, brokers, agents, insureds, policyholders, claimants as well as our most important asset, our own people.



Everything we do at QBE is underpinned by our DNA - because we know it's not just what we do that matters, it's how we do it that makes the difference.

At QBE, when we show-up for our people, customers, communities or shareholders across the globe:

- We are customer-focused **#Outsideln**
- We are technical experts **#KnowYourStuff**
- We are inclusive **#ValueAllViews**
- We are fast-paced **#RampltUp**
- We are courageous **#DoTheRightThing**
- We are accountable **#OwnItNow**
- We are a team **#Together**



# Board of Directors



**Arunothayam Rajaratnam**

**Independent Non-Executive Director**

Ms. Arunothayam Rajaratnam (Aruno), was appointed as the Chairperson of QBE Malaysia on 18 November 2020.

She is a former Lawyer and a Chartered Insurance Practitioner has held diverse roles in the industry including being a Principle Officer, Underwriter, Broker, Reinsurer, Legal Counsel, Claims Manager and Loss Adjuster. She was awarded the "Personality Of The Year" at the 19th Asia Insurance Industry Awards (2015) in recognition of her 40 years of experience in the Asian insurance industry. In 2014, Aruno was the 1st Asian and only the 2nd woman to be awarded the prestigious PLUS 1 Award at the PLUS International Conference in Las Vegas, USA. She placed the 1st Directors & Officers Policy in Asia in 1986 and co-authored the mandatory textbook for the Certificate of General Insurance in Singapore in 1990. Aruno was the pioneer who developed and managed the First Compulsory Professional Indemnity Insurance Scheme for Lawyers in Singapore. She continues to conduct lectures for the Insurance industry and organises several workshops in Asia for PLUS and for Bima Gyaan platform in India.



**Dato' Tan Ang Meng**

**Independent Non-Executive Director**

Dato' Tan was appointed as an Independent Non-Executive Director of QBE Malaysia on 13 April 2016. He is the Chairman of the Audit Committee and Nomination Committee. He is also a member of the Remuneration Committee and Risk & Capital Committee.

He is a Certified Public Accountant and was admitted to the Malaysia Institute of Certified Public Accountants in 1980. Dato' Tan started his career in 1975 with PriceWaterhouseCoopers, Kuala Lumpur in the audit division. He left the firm in 1981 to join UMW. In 1983, he joined Guinness Malaysia Berhad. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (M) Sdn. Bhd., he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and served within the Group until January 2001. During that period, he held various senior management positions with his last position as Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he joined as Chief Executive Officer of Fraser & Neave Holdings Bhd, a position he held until his retirement in November 2010. Dato' Tan is also a Director of Tower Real Estate Investment Trust, Southern Steel Berhad and Red Sena Berhad (under members' voluntary liquidation), which all are listed on Bursa Malaysia. He is also a director of Loob Berhad, which is currently dormant.



**Jason Andrew Hammond**

**Executive Director**

Jason Andrew Hammond was appointed as a Director of QBE Malaysia on 15 May 2019. He holds a Bachelor of Business (Accounting), a Masters of Business Administration and is a member of Certified Practising Accountant (CPA), Australia.

Jason joined QBE in 2004 as the State Manager for NSW and subsequently spent the next 10 years as General Manager for Workers Compensation in Australia where he was responsible for the management of QBE's Australian Workers Compensation Division. More recently, he was the General Manager of QBE's Australia Broker Distribution business. Prior to his appointment as the CEO for QBE Asia, Jason was the interim CEO for QBE North Asia seconded from QBE Australia.



**Saw Teow Yam**

**Independent Non-Executive Director**

Ms Saw Teow Yam (Yen), was appointed as an Independent Non-Executive Director of QBE Malaysia on 5 November 2020. She is the Chairman of the Risk and Capital Committee and Remuneration Committee. She is also a member of the Audit Committee and Nomination Committee. She holds a Bachelor of Economics (Honours).

Yen brings 30 years' experience in insurance and reinsurance in the Asia Pacific region across business development, marketing and distribution, operations, and client servicing. She was the Chief Executive Officer of Tokio Marine Insurance (Malaysia) Berhad, from which she retired in 2016. Prior to that she led Aviva's Indonesian franchise and ran CIMB's Assurance business. Yen is an innovative thinker with a passion for technology and currently runs her own consultancy connecting reinsurance companies with investors and tech businesses.

# Central office managers



**Sunther Kuppan** ACII, B. Law & Econ.

**Chief Executive Officer**

Sunther Kuppan is the present Chief Executive Officer of QBE Insurance (Malaysia) Berhad appointed officially to this position in March 2021.

Sunther joined QBEM in 2014 and has since held positions in managing claims, general operations and advising on legal matters locally and regionally within the Asia operations.

Sunther has more than two decades of experience in general insurance operations and is a member of the Asia Executive Committee. Takes the leading role in transforming QBEM in terms of performance and driving change management in line with QBE Asia 's growth strategy.

He holds degrees in Economics, Law and is a qualified chartered Insurer (ACII- UK).



**Lim Boon Boon** ACCA (UK), MIA, B. (Hons) Accounting and Financial Management, Six Sigma Green Belt

**Head of Finance, QBE Insurance (Malaysia) Berhad and Head of Finance Operations, QBE Asia**

Boon Boon joined QBE in May 2018 as Finance Manager and subsequently appointed Head of Finance for QBE Insurance (Malaysia) Berhad in March 2020. Boon Boon has also been serving as Head of Finance Operations for Asia and Executive Director for QBE Asia Services Sdn Bhd since May 2021.

Boon Boon has over 20 years of accounting and finance experience in local and multi-national companies across various industries. She was previously an audit manager with Ernst and Young Shanghai.

Boon Boon graduated from University of Sheffield with an honours degree in Accounting and Financial Management and holds a green belt six sigma business process improvement certification.

She is a member of the Association of Chartered Certified Accountant ("ACCA") and the Malaysian Institute of Accountants.



**Nor Azima Binti Abdul** B. Management (Hons)

**Head of HR, Central Asia**

Nor Azima joined QBE Insurance (Malaysia) Berhad in February 2010 and is responsible of the overall People strategy of the company.

Azima has 29 years of experiences in human resource management, 22 years of which are in the insurance sector. Her experience covers a wide range of human resources and leadership expertise, including HR transformation, organisation redesign, change management, HR programs, performance management, driving the high-performance culture, employee engagement, talent management, succession planning and as well as mergers and acquisitions.

Azima holds a Bachelor of Management majoring in Finance and Accounting from University Science of Malaysia and Certificate in Insurance from Malaysian Institute of Insurance.



**Eddie Lim** LLB (Hons) Lond. AMII, ACII

**Head of Claims**

Eddie Lim joined QBE Insurance (Malaysia) Berhad in October 2021 as Head of Claims

He has more than two decades of experience in claims management, loss adjusting, sales & marketing and training. He spent most of his career in claims management and loss adjusting.

Besides managing claims, Eddie involves in the technical collaboration with the Asia regional claims and active in training of new colleagues in claims management and change

In addition to the Bachelor Degree in Laws, he has been awarded to use the designated title of "Chartered Insurer" by the Chartered Insurance Institute of London.

## Central office managers continued



**Mohd Farid Bin Othman** CA (M), B. Accounting (Hons)

**Head of Risk**

Mohd Farid joined QBE in December 2018 as Head of Risk of QBE Insurance (Malaysia) Berhad.

Farid has over 20 years of internal auditing and risk management experiences in local and multi-national companies for financial services.

Farid holds a Bachelor of Accounting from University Science of Malaysia.

He is a member of Malaysian Institute of Accountants.



**Stuart Chua** B. Business in Finance and Marketing

**Head of Broking Relationship**

Stuart heads the broking team and drives QBE Malaysia's profitable growth in line with the local business plans and the divisional strategies. He has more than 25 years of experience in general insurance including risk engineering, business development and strategic planning.

Prior to joining QBE, he led the nationwide sales distribution channels of Berjaya Sampo Insurance, encompassing the Agency, Franchise, Bancassurance, Broking, Direct Corporate and Japanese Global channels. Previously, he has held key senior management positions in Top 5 reputable insurers including AmGeneral Insurance Bhd and MSIG Insurance Malaysia.



**Cheow Tjern Yipp (TJ)** Fellow of the Society of Actuaries (FSA) & Chartered Enterprise Risk Analyst (CERA)

**Head of Actuarial**

TJ joined QBE in March 2022 as the Head of Actuarial. He has more than 10 years of experience in consulting and general insurance, spanning a variety of roles including actuarial, risk, underwriting, product development, strategic planning, project management and change management.

TJ holds a bachelor's degree in Actuarial Science, Finance, and Economics from Drake University, USA. He is a qualified Fellow of the Society of Actuaries ("FSA") and Chartered Enterprise Risk Analyst ("CERA").



**Vijay Anand A/L Jeevaratnam** Bachelor of Arts, International Business Administration

**Head of Underwriting**

Vijay was appointed as the Head of Underwriting of QBE Insurance (Malaysia) Berhad in November 2021 and is accountable for all underwriting objectives of the Company.

He first joined QBE in 2015 spearheading the Engineering Underwriting Department and then went on to take on additional portfolios including Property and Risk Engineering in 2019, eventually being appointed as the Head of Underwriting in November 2021

Vijay has over 20 years' of experience in the insurance and reinsurance industries including claims management. He has built strong relationships with many of our brokers and agents in Malaysia, and this will continue to be a key focus as he drives engagement and awareness with key stakeholders including customers, industry bodies, business partners, reinsurers and QBE colleagues.

Vijay is Bachelor of Arts graduate majoring in the area of International Business Administration from the University of Lincolnshire & Humberside, United Kingdom and has also completed (2018) the prestigious "IMIA Engineering Insurance Underwriting Training Course" in Singapore.

# Chairperson's statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of QBE Insurance (Malaysia) Berhad ("QBE Malaysia") for the financial year ended 31 December 2021.

## Economic Environment

The COVID-19 pandemic continued to impact economic growth in 2021. Despite this the economy of Malaysia expanded by 4.0% whilst the inflation rate was estimated to be, on average 2.0% as compared to -1.1% in 2020. In respect of gross written premium ("GWP"), the general insurance industry increased by 2.7% to RM18.133 billion.

## 2021 Performance

Despite the continued crisis caused by the COVID-19 pandemic in 2021, QBE Malaysia reported an underwriting profit before tax ("PBT") of RM13.2 million in 2021, a reduction from RM207 million in 2020. Overall, 2021 saw a better underwriting profit but this was offset against lower investment income. GWP declined by 4.0% in 2021, which showed a lower rate of reduction when compared with 2020 (10.9%).

We are very pleased to say that this unprecedented challenge has not slowed us down. During 2021, QBE Asia delivered several key programmes of work which will ultimately benefit QBE Malaysia. These include:

- Embedding an operating model which is designed to reflect our target markets and is designed for scalability;
- Implementing SmartQ Underwriting Workbench, which will create smoother workflow and greater transparency in the underwriting lifecycle;
- Continuing to build out Qnect's products and capability for both underwriting and claims functions and driving adoption and penetration of our digital assets (Qnect will be launched in Malaysia in the second quarter of 2022, leveraging the benefits of investments made in Hong Kong and Singapore);
- Continued process automation designed to improve efficiency and create capacity for greater value work; and
- The creation of the Asia Centre of Excellence (COE) in Malaysia, initially for Finance and Claims functions and with capacity for other opportunistic future transitions.

QBE Malaysia, like all insurance companies, relies heavily on its organisational talents. 2021 saw the departure of some senior leaders from the Malaysia business. The departure of those leaders has created a unique opportunity to recruit a new group of high calibre, very competent and well-respected leaders. The new team is now in place and significant strides have been made to unite the team and get them focussed on the organisational objectives.

In the broader team, investment is ongoing to support a strong pipeline of underwriting and claims technical capability. This combined with the investments made to refit the workplace in Petaling Jaya, implement the "Flex at QBE" policy, and our efforts in fostering a diverse and empowered workplace, will position the business well from a people and culture perspective.

## 2022 Outlook

The World Bank has projected the gross domestic product ("GDP") of Malaysia will accelerate to about 5.8% in 2022 on the back of the COVID-19 vaccine deployment. The industry expects the operating and business climate to be challenging with possible stagnation in the general insurance industry.

The Omicron variant serves to highlight that the health and economic risks associated with COVID-19 will be ongoing in 2022. Against this backdrop, we continue to support our people, customers and communities and recognise their ongoing resilience through 2021. Maintaining a momentum in global vaccination programs will remain a key mitigating factor throughout the year.

With strong business fundamentals, a renewed leadership group and a sharp focus on our objectives and go-to-market propositions, I am optimistic about 2022 and the longer-term plans for the business.

I am very proud of our people who work with passion and integrity to deliver outstanding outcomes for our customers. We have a diligent and talented team, a sound balance sheet and a program of work that allow us to better serve our customers, shareholders, and communities.

## Acknowledgements

On behalf of the Board of Directors, I would like to acknowledge and place on record my sincere appreciation and gratitude to all our valued business partners for their continued support and loyalty over the years. The Board would like to extend its appreciation for the commitment and leadership from the senior management team and all employees for their support and dedication in striving through a tough year in 2021.

In closing, I would like to thank my fellow Board Members who have provided their invaluable support and commitment throughout the year.

**Arunothayam Rajaratnam**  
Chairperson  
QBE Insurance (Malaysia) Berhad

# 2021 snapshot

Net combined operating ratio (NCOR%)

**98.2%**

2020 99.2%

Gross written premium

**MYR209.5** Mil

↓ 4.0% from 2020

Net claims ratio (%)

**55.0%**

2020 53.1%

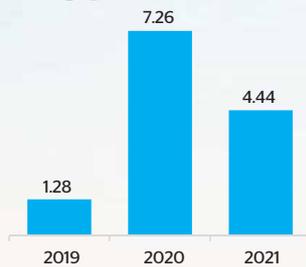
Gross written premium (RM' mil)  
by class of business



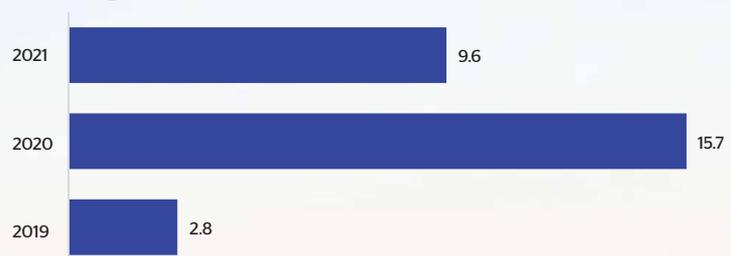
Business portfolio 2021 (RM' mil)



Earnings per share (cents)



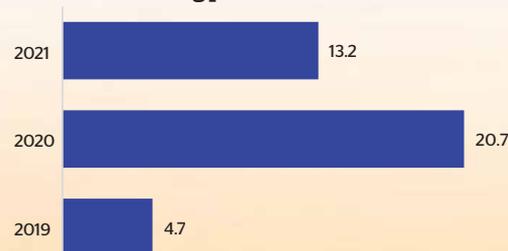
Net profit after income tax (RM' mil)



Investment 2021



Underwriting profit before tax (RM' mil)



Business Across Malaysia



# Chief Executive Officer's statement

**We are pleased to announce QBE Malaysia recorded a decent financial performance in 2021 despite the COVID-19 pandemic. We have successfully navigated through 2021 by building a strong foundation within the organisation with seamless remote operations to deliver excellent customer service through digital adoption for our business processes, enablement of our people and embedment of our Customer@QBE mindset, ensuring our business is able to operate sustainably.**

## External Environment

In 2021, consistent with the world's economy, the Malaysian economy experienced severe challenges during the COVID-19 pandemic. Malaysia's full-year economic performance expanded 4.0% in 2021, rebounding from the -1.1% drop in 2020. The general insurance industry registered an increase of 2.7% in 2021 with Gross Written Premium ("GWP") of RM18.133 billion.

## 2021 Performance

We ended FY2021 with a gross written premium ("GWP") of RM209.5 million (vs RM218.4 million in 2020) and registering an underwriting profit before tax of RM13.2 million (vs RM20.7 million in 2020). Our 2021 performance was affected by the COVID-19 pandemic, mainly due to the mitigation measures introduced such as the successive Movement Control Orders as well as the OPR cuts. As a result, the top-line production and investment income were lower than targeted. The floods in December also contributed partly to the increase in Claims Incurred Ratio with QBE Malaysia receiving 75 flood claim intimations as at 31 December 2021.

QBE Malaysia recorded statutory Net Combined Operating Ratio ("NCOR") of 98.2% in 2021, compared to 99.2% in 2020. The company maintained a sound Capital Adequacy Ratio ("CAR") during 2021, exceeding both the Supervisory CAR and the company's own internal capital target as per our Capital Management Plan.

In 2021, the company has positioned its investment portfolio higher than 2020 by RM12.0 million to RM483.3 million with an average investment yield of 2.25%, the investment income was RM10.2 million. QBE Malaysia remains cautious on market volatility, as such, the company has placed its investment portfolio to maintain running yield, with the view to capture term premium and an attractive spread on term deposits.

## Business across the country

Although QBE Malaysia recorded a contracting GWP, we are now comfortable with the risks that we have on our books and will continue to focus on writing risks that provide the organisation with an acceptable return. We have instituted a strong Brilliant Basics underwriting culture within our distribution teams as well as across the organisation. While our distribution teams remain strong with a good channel mix, we will continue to look for ways to diversify our channels and build on our distribution strategy.

## Operations

QBE Asia has achieved a number of significant milestones benefiting QBE Malaysia, such as: embedding Q23, SmartQ Underwriting Workbench, driving digital adoption, continued process automation and the creation of the Asia Centre of Excellence (COE).

Our Customer Service team continues to provide market leading service, reflecting our commitment to further enhance the customer experience. One of our pillars at QBE Malaysia is to embed customer-centricity in all that we do, and we will continue to focus and invest in this area.

## Chief Executive Officer's statement continued

### Corporate Social Responsibility

At QBE Malaysia, corporate social responsibility is part of our business strategy. Sustainable and responsible business practices matter to all our stakeholders: customers, employees, potential recruits, shareholders and investors, the communities in which we do business, and the society at large.

In conjunction with World Environment Day, we invited Malaysian Nature Society ("MNS") to conduct a virtual educational talk to employees across Malaysia. The talk deliberates to remind employees and help them and their families understand and address the impact of global warming and climate change.

We contributed 300 mangrove saplings with species of the *Rhizophora Stylosa* mangrove trees, planted by MNS's volunteers along a designated area in Bagan Lalang. In addition, we launched a week of 'Gift a Tree Campaign' to engage and encourage QBE colleagues to plant their own tree or plant a tree through our charity partner, MNS by donating to the Mangrove trees planting initiative. We recognised that trees are indispensable in helping to save energy, prevent natural disaster as well as help counter effects of climate change. We hope to bring a positive and meaningful impact to the environment and our future generation.

We closed 2021 with an activity partnering with Malaysia Red Crescent Society ("MRCS"), where we provided face shields for primary school children. QBE also leverage on MRCS to provide the training session - Water Sanitisation and Hygiene ("WASH") for students.

### World-class Human Capital

QBE Malaysia continues to invest in building, developing and retaining the best individuals by implementing initiatives covering leadership, managerial, technical, and talent programmes that embody QBE's commitment to the Employee Value Proposition. In 2021, QBE Malaysia recorded:

- Employees participating in online industry conferences to enhance their skills as well as bring value to the industry
- Employees attending various talent development programs in the region
- An online in-house education programme that sponsored several employees to pursue insurance professional qualification, AMII Level 1 and AMII Level 2
- Participation in Asia Business Acumen Workshop that is designed to help employees understand the big picture in business, the importance of interdependence between functions within the organisation, as well as the key performance indicators that drive the business

### Employee Engagement

QBE Malaysia continues with our efforts to increase productivity and retention through the following platforms:

- Regular employee townhall sessions and business updates from business leaders continue to play a vital role in our communication with employees to better align with QBE's direction and encourage knowledge sharing across all levels to meet global objectives.
- Through our Diversity and Inclusion ("D&I") initiatives, QBE celebrates festivals of all races and support D&I activities such as International Women's Day. A plethora of virtual health awareness programmes were organised which proved successful with high participation rates and increased employee engagement.

In closing, I am pleased with the progress we have made against our strategic objectives for 2021. Today, QBE Malaysia is strategically, operationally, and financially stronger. I am optimistic of what the future holds for QBE Malaysia in 2022 and beyond.

**Sunther Kuppan**  
**Chief Executive Officer**  
**QBE Insurance (Malaysia) Berhad**

# Financial report & statements contents

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# Directors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

## Principal Activity

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.

## Financial Results

Net profit for the financial year RM 9,596,561

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

## Dividends

No dividend was paid or declared by the Company since the end of the last financial year. The Directors have not recommended any final dividend to be paid for the financial year under review.

## Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## Provision for Outstanding Claims

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

## Share Capital

There was no issuance of shares by the Company during the financial year.

## Other Statutory Information

- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent 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 will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

- (g) Before the financial statements 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 methods specified in the RBC Framework for insurers issued by BNM.

## Corporate Governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Financial Services Act 2013 ("FSA") and Bank Negara Malaysia ("BNM") Guidelines in particular BNM/RH/PD\_029-9 on Corporate Governance.

The Company and its Directors are committed to ensuring that the highest standards of corporate governance are practised. Integrity is a fundamental value to our business that is applied to all our activities.

### (a) Board Responsibility and Oversight

The Board comprises four Directors, represented by three independent non-executive directors (including the Chairman) and an executive director. Six meetings were held during the financial year ended 31 December 2021 and four meetings have been scheduled for the year 2022, with additional meetings to be convened as necessary.

The Board is responsible for the overall governance of the Company and is committed to ensuring that the highest standards are being maintained and compliance with relevant Acts, Regulations and Guidelines are being observed. The Directors bring to the Board a wide range of business and financial experience and participate fully in decisions on the key issues of the Company.

### (b) Committees

The Board is supported by several committees which comprise certain members of the Board. The main committees of the Board are the Audit, Nomination, Remuneration and Risk & Capital Committees.

Committee membership is reviewed at least annually and the Committees meet regularly as required, to deal with matters that are referred by the Board or management from time to time. Details of Directors' and Committee members' attendance at Board and Committee meetings are outlined in the table of meeting attendance set out on page 6 of this report.

- (i) Audit Committee  
The membership of the Audit Committee comprises three independent non-executive directors. The current members of the Audit Committee are Dato' Tan Ang Meng (Chairman), Arunothayam Rajaratnam and Saw Teow Yam.

# Directors' report continued

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## Corporate Governance (continued)

### (b) Committees (continued)

#### (i) Audit Committee (continued)

The Audit Committee operates under written terms of reference determined by the Board and the role of the Committee is to oversee and enhance credibility of the Company's financial reporting process, and to ensure all policies, procedures and all statutory and non-statutory guidelines are adhered to.

There are formal procedures in place for both internal and external auditors to report conclusions and recommendations to management and to the Audit Committee. All aspects of the system of internal controls are subjected to regular review to ensure their adequacy and effectiveness.

#### (ii) Nomination Committee

The membership of the Nomination Committee comprises three independent non-executive directors and an executive director. The current members of the Committee are Dato' Tan Ang Meng (Chairman), Arunothayam Rajaratnam, Jason Andrew Hammond and Saw Teow Yam. The Nomination Committee operates under written terms of reference determined by the Board, taking into consideration all relevant Bank Negara Malaysia's guidelines. The role of the Committee is to establish the minimum requirements for the appointment of Board members, the Chief Executive Officer and key senior officers, including overseeing the composition, size and skills of the Board members and its effectiveness.

The Committee believes the skills, experience and qualities of Directors are conducive to the efficient running of the business.

#### (iii) Remuneration Committee

The membership of the Remuneration Committee comprises three independent non-executive directors. The current members of the Remuneration Committee are Saw Teow Yam (Chairman), Arunothayam Rajaratnam, Dato' Tan Ang Meng.

The Remuneration Committee operates under written terms of reference determined by the Board and is responsible for the development of the Company's remuneration policy for its Directors, Chief Executive Officer and key senior officers. The Committee considers recommendations from management and provides specific recommendations on the remuneration packages and other terms of employment for executive and non-executive directors, senior management as well as staff development to ensure that high quality people are retained.

#### (iv) Risk & Capital Committee

The Risk & Capital Committee comprises three independent non-executive directors. The current members of the Risk & Capital Committee are Saw Teow Yam (Chairman), Arunothayam Rajaratnam, Dato' Tan Ang Meng.

The Risk & Capital Committee operates under written terms of reference determined by the Board and is responsible for overseeing the senior management's activities in managing the key risk areas of the Company.

The Company has established internal controls to manage risk in the key areas of exposure relevant to its business and the Committee has a risk management framework to identify significant areas of business risk and to effectively and expeditiously manage those risks. Systems are designed to provide reasonable assurance that the assets of the Company are safeguarded, insurance risk exposure is within desired limits, reinsurance protections are adequate and counterparties are subject to security assessment.

The scope of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system is intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement or loss.

The Committee recommends and the Board approves a comprehensive Risk Management Strategy and Reinsurance Management Strategy on an annual basis and is responsible to the shareholders for the performance of the Company and as such, fulfils a critical role in establishing and maintaining an effective risk management strategy.

### (c) Management Accountability

The Company has well documented and updated organisational structures showing all reporting lines as well as clearly documented job descriptions for management and executive employees.

A formal process of developing and monitoring individual goals on a consultative basis is adopted for staff performance appraisals to ensure that the goals are in line with the Company's corporate objectives and responsibilities.

**(d) Public Accountability**

The Company has always ensured that its business is conducted fairly, honestly and professionally.

**(e) Corporate Independence**

All material related party transactions have been disclosed in the notes to the financial statements.

**(f) Financial Reporting**

The Directors are responsible for ensuring that the accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The Board and senior management receive regular financial and management reports to enable them to effectively monitor the financial performance and condition of the Company in relation to the corporate objectives and responsibilities.

**Meetings of Directors**

	Full meeting of directors	Meetings of Committees			Risk & Capital
		Audit	Nomination	Remuneration	
Number of meetings held during the year	6	4	4	5	4
	Number Attended	Number Attended	Number Attended	Number Attended	Number Attended
Arunothayam Rajaratnam	6	4	4	5	4
Dato' Tan Ang Meng	6	4	4	5	4
Jason Andrew Hammond	6	4	4	5	4
Saw Teow Yam	6	4	4	5	4

**Directors and their Interests in Shares**

(a) The Directors who have held office since the date of the last report are as follows:

Arunothayam Rajaratnam  
Dato' Tan Ang Meng  
Jason Andrew Hammond  
Saw Teow Yam

(b) In accordance with Regulation 63 of the Company's Constitution, Dato' Tan Ang Meng retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

(c) According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of the Directors in office at the end of the financial year in shares in the Company or its holding company or subsidiaries of the holding company during the financial year were as follows:

Shares in QBE Insurance Group Limited (Ultimate holding company)	At 1.1.2021	Acquired	Disposed	At 31.12.2021
Jason Andrew Hammond	4,011	11,998	16,009	-

Rights over shares in QBE Insurance Group Limited granted to the Directors

Shares in QBE Insurance Group Limited (Ultimate holding company)	At 1.1.2021	Granted	Extinguished	At 31.12.2021
Jason Andrew Hammond	62,379	16,009	-	78,388

(d) Other than the above, none of the other Directors in office at the end of the financial year held any interest in the shares in or debentures of the Company or its related corporations during the financial year.

## Directors' report continued

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

### Directors' Remuneration

Details of Directors' remuneration are set out in Note 18 to the financial statements.

### Indemnity to Directors and Officers

During the financial year, the total amount of indemnity insurance premium paid for the Directors and certain officers of the Company were RM10,472.

### Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object or objects 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, other than the options and rights granted over the shares of the ultimate holding corporation as disclosed in this report.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of fees and other emoluments received or due and receivable by directors shown in Note 18 to 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, except that certain directors received remuneration from the Company's ultimate holding corporation and other related corporations.

### Share Option Scheme

No Share Option Scheme was offered during the financial year.

### Ultimate Holding Corporation

The Directors regard QBE Insurance Group Limited, a corporation incorporated in Australia, as the ultimate holding corporation.

### Registered Office and Principal Place of Business

The registered office and principal place of business of the Company are located at No. 638, Level 6, Block B1, Pusat Dagang Setia Jaya (Leisure Commerce Square), No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor.

### Auditors' Remuneration

Details of auditors' remuneration are set out in Note 17 to the financial statements.

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

### Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 15 March 2022. Signed on behalf of the Board of Directors:



Arunothayam Rajaratnam  
Director

Petaling Jaya



Jason Andrew Hammond  
Director

# Statement by directors

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, Arunothayam Rajaratnam and Jason Andrew Hammond, two of the Directors of QBE Insurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 61 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021, financial performance and cash flows of the Company for the financial year ended 31 December 2021 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 March 2022.



Arunothayam Rajaratnam  
Director

Petaling Jaya



Jason Andrew Hammond  
Director

# Statutory declaration

PURSUANT TO SECTION 251 (1) OF THE COMPANIES ACT 2016

I, Lim Boon Boon, the officer primarily responsible for the financial management of QBE Insurance (Malaysia) Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 20 to 61 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Lim Boon Boon

Subscribed and solemnly declared by the above named Lim Boon Boon at Petaling Jaya in the State of Selangor Darul Ehsan on 15 March 2022.

Before me,



Commissioner for Oaths

No 513, Block A3, Pusat Dagang Setia Jaya  
No. 9, Jalan PJS 8/9, 46150 Petaling Jaya  
Selangor Darul Ehsan

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF****QBE Insurance (Malaysia) Berhad**

(Incorporated in Malaysia)

Registration No. 198701002415 (161086-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Our opinion

In our opinion, the financial statements of QBE Insurance (Malaysia) Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 61.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditors' report, and Chairman's Statement and Chief Executive Officer's Statement, which is expected to be made available to us after that date. Other information does not include the financial statements of the Company and our auditors' report thereon.

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the 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:

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the 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.
- (e) 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 achieves fair presentation.

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

#### **OTHER MATTERS**

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

**PricewaterhouseCoopers MY**

PricewaterhouseCoopers PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
15 March 2022



Soo Hoo Khoon Year  
02682/10/2023 J  
Chartered Accountant

# Statement of financial position

AS AT 31 DECEMBER 2021

		2021	2020	2019
	NOTE	RM	Restated RM	Restated RM
<b>Assets</b>				
Plant and equipment	3	3,242,709	2,650,487	2,838,974
Intangible assets	4	733,834	978,778	1,908,980
Right-of-use assets	5	5,909,188	6,351,319	6,637,114
Investments	6	488,199,944	477,647,273	491,478,690
Loans and receivables		488,199,944	477,647,273	491,478,690
Reinsurance assets	11	73,419,312	77,398,124	60,068,503
Insurance receivables	7	70,128,830	74,829,278	89,222,371
Other receivables	8	49,341,638	52,511,926	54,586,821
Deferred tax asset	12	3,695,380	3,265,355	5,104,987
Tax recoverable		1,181,704	1,181,704	-
Cash and bank balances		19,449,327	15,360,705	7,762,651
<b>Total assets</b>		715,301,866	712,174,949	719,609,091
<b>Liabilities</b>				
Insurance contract liabilities	11	417,934,061	407,719,970	404,366,060
Lease liabilities	5	664,313	1,032,356	1,258,839
Insurance payables	13	23,676,632	15,786,556	34,418,904
Tax payable		1,393,789	1,910,805	1,056,179
Other payables	14	43,643,932	67,332,684	75,794,029
<b>Total liabilities</b>		487,312,727	493,782,371	516,894,011
<b>Shareholders' equity</b>				
Share capital	9	108,000,000	108,000,000	108,000,000
Retained earnings	10	119,989,139	110,392,578	94,715,080
		227,989,139	218,392,578	202,715,080
<b>Total liabilities and shareholders' equity</b>		715,301,866	712,174,949	719,609,091

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

# Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 RM	2020 RM
Gross earned premiums	15(a)	219,209,847	235,663,497
Premium ceded to reinsurers	15(b)	(46,562,338)	(52,806,126)
<b>Net earned premiums</b>		172,647,509	182,857,371
Investment income	16	10,166,370	19,216,861
Loss on disposal of plant and equipment		(6,586)	(938)
Reinsurance commission income		6,132,872	6,949,172
Other operating income		241,157	275,694
<b>Total revenue</b>		189,181,322	209,298,160
Gross claims paid		(71,470,987)	(122,468,447)
Claims recoveries from or (to) reinsurers		(202,430)	29,482,617
Gross charge to claims liabilities		(19,886,326)	(20,665,362)
Change in claims liabilities ceded to reinsurers		(3,453,125)	16,604,182
<b>Net claims incurred</b>		(95,012,868)	(97,047,010)
Fee and commission expense		(34,528,965)	(37,736,888)
Management expenses	17	(46,465,430)	(53,846,409)
<b>Other expenses</b>		(80,994,395)	(91,583,297)
<b>Profit before taxation</b>		13,174,059	20,667,853
Taxation	19	(3,577,498)	(4,990,355)
<b>Net profit and total comprehensive income for the year</b>		9,596,561	15,677,498
Earnings per share (sen)	20	4.44	7.26

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

# Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	SHARE CAPITAL RM	DISTRIBUTABLE RETAINED EARNINGS RM	TOTAL RM
<b>At 1 January 2020</b>	108,000,000	94,715,080	202,715,080
Total comprehensive income for the financial year	-	15,677,498	15,677,498
<b>At 31 December 2020</b>	108,000,000	110,392,578	218,392,578
<b>At 1 January 2021</b>	108,000,000	110,392,578	218,392,578
Total comprehensive income for the financial year	-	9,596,561	9,596,561
<b>At 31 December 2021</b>	108,000,000	119,989,139	227,989,139

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

# Statement of cash flows

For the financial year ended 31 December 2021

	2021 RM	2020 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year	9,596,561	15,677,498
Adjustments for:		
Depreciation on plant and equipment	1,211,902	1,310,157
Amortisation of intangible assets	716,090	1,180,077
Depreciation of right-of-use assets	713,605	1,116,080
Loss on disposal of plant and equipment	6,585	938
Allowance of impairment on insurance receivables	965,954	890,566
Interest income	(10,166,370)	(19,216,861)
Interest expense for lease liabilities	23,801	44,560
Taxation	3,577,498	4,990,355
<b>Profit from operation before changes in operating assets and liabilities</b>	<b>6,645,626</b>	<b>5,993,370</b>
(Increase)/Decrease in LAR investments	(12,299,945)	12,000,000
Decrease in premium liabilities	(9,146,548)	(18,036,892)
Increase in claims liabilities	23,339,451	4,061,181
Decrease in insurance receivables	3,734,494	13,502,526
Decrease in other receivables	3,170,287	2,074,896
Increase/(Decrease) in insurance payables	7,890,077	(18,632,348)
Decrease in other payables	(23,688,752)	(8,461,344)
Income taxes paid	(4,524,539)	(3,477,800)
Interest income received	11,913,644	21,048,278
Interest charge on lease liabilities	(23,801)	(44,560)
<b>Net cash generated from operating activities</b>	<b>7,009,994</b>	<b>10,027,307</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of plant and equipment	269,861	26,499
Purchase of plant and equipment	(2,080,571)	(1,149,107)
Purchase of intangible assets	(471,146)	(249,875)
<b>Net cash used in investing activities</b>	<b>(2,281,856)</b>	<b>(1,372,483)</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Lease payment	(639,516)	(1,056,770)
<b>Net cash used in financing activity</b>	<b>(639,516)</b>	<b>(1,056,770)</b>
Net movement in cash and cash equivalents	4,088,622	7,598,054
Cash and cash equivalents at 1 January	15,360,705	7,762,651
Cash and cash equivalents at 31 December	19,449,327	15,360,705
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	19,449,327	15,360,705

## Reconciliation of liabilities arising from financing activity

	2021 RM	2020 RM
<b>Lease liabilities</b>		
At 1 January	1,032,356	1,258,839
Cash flows	(663,317)	(1,101,330)
Interest charge	23,801	44,560
Lease addition	271,473	830,287
At 31 December	664,313	1,032,356

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

# Notes to the financial statements

## 1. Principal activity

The Company, a public limited liability Company incorporated and domiciled in Malaysia, 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.

## 2. Significant accounting policies

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

### 2.1 Basis of Preparation

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

The financial statements of the Company have also been prepared on a historical cost basis, except for those financial instruments that have been measured at their fair values and insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia ("BNM").

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

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

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

#### (a) Standards, amendments to published standards and interpretations that are effective

The Company has applied the following amendments for the first time for the financial year beginning on 1 January 2021:

- (i) Amendments to MFRS 16 'Covid-19-Related Rent Concession'
- (ii) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform-Phase 2'

The Company has adopted Amendments to MFRS 16 'COVID-19-Related Rent Concessions' and Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform-Phase 2' for the first time in the December 2021 financial statements.

The adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) replaces MFRS 139 'Financial Instruments: Recognition and Measurement'.

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

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

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

The Company intends to adopt MFRS 9 together with MFRS 17.

All other new standards, amendments to published standards, and interpretations that are effective for the current financial year are not relevant to the company.

**(b) Standards and amendments that have been issued but not yet effective**

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the financial statements of the Company, except the following:

- MFRS 17 'Insurance Contracts' (effective from 1 January 2023) replaces MFRS 4 'Insurance Contracts'.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less
- b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

The company is currently assessing the financial and operational impact that may arise from the adoption of MFRS 17.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

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

The amendments shall be applied prospectively.

There is no financial impact to the Company.

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' (effective 1 January 2022) extend the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022.

There is no financial impact to the Company.

- Amendments to MFRS 101 "Classification of liabilities as current or non-current" (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

There is no financial impact to the Company.

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on "Disclosure of Accounting Policies" and "Definition of Accounting Estimates" (effective 1 January 2023).

MFRS 101 and MFRS Practice Statement 2 require the Company to disclose material accounting policies rather than significant accounting policies. The disclosures are expected to be specific to the Company and not generic disclosures on MFRS applications.

The amendment explains that an accounting policy is material if, when considered together with other information included in the Company's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

#### 2.1 Basis of Preparation (continued)

##### (b) Standards and amendments that have been issued but not yet effective (continued)

MFRS 8 provides clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

There is no financial impact to the Company.

#### 2.2 Summary of Significant Accounting Policies

##### (a) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Work-in-progress is not depreciated until the asset is ready for its intended use. Depreciation on plant and equipment is calculated using the straight-line basis to allocate their cost to their residual values over the expected useful lives of the assets. The expected useful lives of the assets are as follows:

Motor Vehicle	5 years
EDP Equipment	3 - 5 years
Office Equipment	3 - 10 years
Furniture & Fittings	2 - 10 years
Renovations	2 - 5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 2.2 (d) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the profit or loss.

##### (b) Intangible Assets

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software. Capitalisation of these costs ceases no later than the point at which the project is substantially completed and ready for its intended purpose. These costs are amortised over their expected useful life of 4 to 5 years on a straight-line basis, with the useful lives being reviewed annually.

##### (c) Leases

Leases are recognised as right-of-use (ROU) asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

##### *Lease Term*

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

*ROU assets*

ROU assets are initially measured at cost comprising the following:

- (i) The amount of the initial measurement of lease liability;
- (ii) Any lease payments made at or before the commencement date less any lease incentive received;
- (iii) Any initial direct costs; and
- (iv) Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities. Leasehold building is amortised in equal instalments over the period of lease of 69.59 years.

*Lease liabilities*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- (i) Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- (ii) Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) Amounts expected to be payable by the Company under residual value guarantees;
- (iv) The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- (v) Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease when that rate can be readily determined. If that rate cannot be readily determined, the lessee uses its incremental borrowing rate. Given QBE's practice of borrowing centrally, the 'incremental borrowing rate (IBR)' will be derived by Group on behalf of the subsidiaries. The IBR will be determined by reference to observable market data, including the following:

- (i) QBE Group 'credit default swap' rate (CDS); and
- (ii) risk free rate for the currency and tenor of the lease liability.

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

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the management expenses in profit or loss in Note 17 to the financial statements.

*Short term leases and leases of low value assets*

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

**(d) Impairment of Non-Financial Assets**

The carrying values of non-financial assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the profit or loss immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit or loss.

**(e) Investments and Other Financial Assets**

The Company classifies its investments into financial assets as loans and other receivables ("LAR").

*LAR*

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

The Company classifies the cash flows for the purchase and disposal of LAR investments in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

##### (f) Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the date of the statement of financial position.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

##### (g) Impairment of Financial Instruments

The Company assesses at each date of the statement of financial position whether a financial assets or group of financial assets is impaired.

###### *Assets Carried at Amortised Cost*

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each date of the statement of financial position.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

##### (h) Derecognition of Financial Assets

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

##### (i) Product Classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those 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.

**(j) General Insurance Underwriting Results**

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

*Gross Premiums*

Gross premiums are recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been raised as of the date of the statement of financial position are accrued at that date and are recognised in the profit or loss during the financial year.

Inward facultative reinsurance premiums are recognised in the financial year in respect of the facultative risks assumed during that particular financial year, as in the case of direct policies, following the individual risks' inception dates.

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premium are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

*Premium Liabilities*

Premium liabilities refer to the higher of:

- (i) the aggregate of the unearned premium reserves ("UPR") or
- (ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

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

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

- (i) 25% method for marine cargo and transit business;
- (ii) 1/365th method (i.e. daily pro-rata method) for all other classes of general insurance business in respect of Malaysian general policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

*Claims Liabilities*

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

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

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

*Acquisition Costs*

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. For presentation of the financial statement purpose, the acquisition costs arose from acquiring and renewing insurance policy are deducted from premium liabilities.

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

##### (k) Reinsurance

###### *Reinsurance ceded*

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance costs are recognised in profit or loss immediately at the date of purchase and are not amortised.

###### *Reinsurance assumed*

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

Premium 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. Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

###### *Reinsurance assets or liabilities*

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

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.

##### (l) 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 yield 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 processes adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

##### (m) Other receivables from Malaysia Motor Insurance Pool ("MMIP")

Short term advances to MMIP are measured at amortised costs using the effective interest method less impairment. The Company's share of investment return of MMIP is recognised as receivable when the right to receive is established. The advances to and receivables from MMIP are classified as part of Other Receivables.

##### (n) General Insurance Contract Liabilities

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

These liabilities comprise claims liabilities and premiums liabilities.

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, 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 date of the statement of financial position. 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 may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for premium liabilities 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 deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical reserves. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

**(o) Other Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

*Rental Income*

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

*Interest and Profit Income*

Income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument.

*Dividend Income*

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

*Realised Gains and Losses on Investments*

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value of the investments and are recorded on occurrence of the sale transaction.

**(p) Reinsurance commission income**

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of costs incurred on the acquisition of underlying insurance contracts.

**(q) Income Tax**

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the year and is measured using the tax rates that have been enacted at the date of the statement of financial position.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

##### (r) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

##### (s) Employee Benefits

###### (i) Short-term Employee Benefits

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

###### (ii) Post-employment Benefits

The Company's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate to. Once the contributions have been paid, the Company has no further payment obligations.

###### (iii) Cash-Settled Share-Based Plan

The Company participates in a cash-settled, share-based plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised in the profit or loss over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed off on the vesting period is determined by reference to the fair value of the share appreciation rights. At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

The cumulative liability incurred will be reversed as cash is paid, net of any directly attributable transaction costs, at the end of vesting period.

##### (t) Foreign Currencies

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

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

##### (u) Insurance Payables and Other Payables

Insurance payables and other payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

##### (v) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

##### (w) Contingent Liabilities and Contingent Assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

**(x) Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

**(y) Dividends**

Dividends are recognised as liabilities when the obligation to pay is established in which the dividends are declared and approved by BNM and the Company's shareholders. No provision is made for a proposed dividend.

**2.3 Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

**(a) Key Sources of Estimation Uncertainty and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***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 date of the statement of financial position and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the date of the statement of financial position.

It can take a significant period of time before the ultimate claims costs can be established with certainty, and hence, actual future claim payments will not develop exactly as projected. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Gluck, Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. 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. Historical claims development data is adjusted for the impact of inflation, and explicit assumptions are made for the rate of future claims inflation applied to the projected losses. Additional qualitative judgement is used to assess the extent to which the past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, 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.

Refer to Note 24 to the financial statements for the disclosures on insurance risk.

Notes to the financial statements continued**3. Plant and equipment**

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	WORK-IN- PROGRESS RM	TOTAL RM
<b>Net book value</b>							
At 1 January 2021	190,829	1,484,603	240,895	604,401	129,759	-	2,650,487
Additions	-	681,626	37,947	-	-	1,360,998	2,080,571
Disposals	-	(4,475)	(6,003)	(259,185)	(902)	-	(270,565)
Written off	-	(4,778)	-	(504)	(600)	-	(5,882)
Depreciation	(71,909)	(911,603)	(69,518)	(83,602)	(75,270)	-	(1,211,902)
At 31 December 2021	118,920	1,245,373	203,321	261,110	52,987	1,360,998	3,242,709
<b>At 31 December 2021</b>							
Cost	362,340	6,535,500	1,011,087	932,368	809,569	1,360,998	11,011,862
Accumulated depreciation	(243,420)	(5,290,127)	(807,766)	(671,258)	(756,582)	-	(7,769,153)
Net Book Value	118,920	1,245,373	203,321	261,110	52,987	1,360,998	3,242,709

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	TOTAL RM
<b>Net book value</b>						
At 1 January 2020		312,120	1,100,201	350,584	773,509	2,838,974
Additions		-	1,146,908	2,199	-	1,149,107
Disposals		-	-	(467)	-	(467)
Written off		-	(10,653)	(6,050)	(9,538)	(26,970)
Depreciation		(121,291)	(751,853)	(105,371)	(159,570)	(1,310,157)
At 31 December 2020		190,829	1,484,603	240,895	604,401	2,650,487
<b>At 31 December 2020</b>						
Cost		608,645	6,242,183	1,525,252	1,930,483	12,501,532
Accumulated depreciation		(417,816)	(4,757,580)	(1,284,357)	(1,326,082)	(9,851,045)
Net Book Value		190,829	1,484,603	240,895	604,401	2,650,487

#### 4. Intangible Assets

	2021 RM	2020 RM
<b>Cost</b>		
At 1 January	10,536,101	10,286,851
Additions	471,146	249,875
Written off	-	(625)
At 31 December	11,007,247	10,536,101
<b>Accumulated amortisation</b>		
At 1 January	9,557,323	8,377,871
Amortisation during the financial year	716,090	1,180,077
Written off	-	(625)
At 31 December	10,273,413	9,557,323
<b>Net book value</b>		
At 31 December	733,834	978,778

#### 5. Right-of-use

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Information about ROU assets, expenses and cash flows related to leases:

	2021 RM	2020 RM
Carrying amounts of ROU asset by class of underlying assets:		
Properties	5,822,458	6,210,688
Equipment	86,730	140,631
	5,909,188	6,351,319
Additions to the ROU assets during the financial year	444,946	864,611
Depreciation charge of ROU assets by class of underlying assets:		
Properties	(659,703)	(1,055,701)
Equipment	(53,901)	(60,379)
	(713,604)	(1,116,080)
Lease Liabilities		
Amount due for settlement within 12 months	480,891	676,745
Amount due for settlement after 12 months	183,422	355,611
	664,313	1,032,356

Notes to the financial statements continued**6. Investments**

	<b>2021 RM</b>	<b>2020 RM</b>
The Company's investments are summarised as follows:		
Loan and receivables ("LAR")	483,299,945	471,000,000
Accrued interest	4,899,999	6,647,273
	488,199,944	477,647,273
<b>Total investments</b>	<b>488,199,944</b>	<b>477,647,273</b>
The following investments mature within 12 months		
LAR	488,199,944	477,647,273

**(a) LAR**

<b>Amortised cost</b>	<b>2021 RM</b>	<b>2020 RM</b>
Deposits with financial institutions	483,299,945	471,000,000
Accrued interest	4,899,999	6,647,273
<b>Total investments at LAR</b>	<b>488,199,944</b>	<b>477,647,273</b>

The carrying value of investments in LAR as at 31 December 2021 (31 December 2020) approximates their fair values.

**(b) Carrying Value of Financial Instruments**

	<b>FVTPL RM</b>	<b>LAR RM</b>	<b>TOTAL RM</b>
<b>At 1 January 2020</b>	-	491,478,690	491,478,690
Purchases/deposits	-	795,033,973	795,033,973
Maturities	-	(807,033,973)	(807,033,973)
Movement in accrued interest	-	(1,831,417)	(1,831,417)
<b>At 31 December 2020</b>	-	477,647,273	477,647,273
Purchases/deposits	-	612,899,945	612,899,945
Maturities	-	(600,600,000)	(600,600,000)
Movement in accrued interest	-	(1,747,274)	(1,747,274)
<b>At 31 December 2021</b>	-	488,199,944	488,199,944

## 7. Insurance receivables

	2021 RM	2020 RM
Due premiums including agents/brokers and co-insurers balances	43,904,729	57,888,690
Due from reinsurers and cedants	31,727,085	21,477,618
	75,631,814	79,366,308
Allowance for impairment	(5,502,984)	(4,537,030)
	70,128,830	74,829,278
Receivable within 12 months	70,128,830	74,829,278
	2021 RM	2020 RM
Gross amount of recognised financial assets, net of allowance for impairment	80,110,081	83,541,055
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 13)	(9,981,251)	(8,711,777)
Net amounts of financial assets presented in the statement of financial position	70,128,830	74,829,278

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2021 (31 December 2020: Nil). The carrying amount of insurance receivables as at 31 December 2021 (31 December 2020) approximates their fair values.

## 8. Other receivables

	2021 RM	2020 RM
Malaysian Motor Insurance Pool ("MMIP")		
- Cash calls made	12,859,477	13,859,477
- Other assets held in MMIP	32,365,006	34,584,207
	45,224,483	48,443,684
Amount due from related companies	-	11,482
Other receivables	4,117,155	4,056,760
	49,341,638	52,511,926
Receivables within 12 months	47,887,625	51,057,383

The carrying amounts approximate the fair values due to the relatively short-term maturity of these balances.

MMIP as at 31 December 2021 is a net receivable of RM21,398,751 (2020: net receivable of RM18,684,014) after setting off the amount receivable from MMIP against the Company's share of MMIP's claims and premium liabilities amounting RM23,825,732 (2020: RM29,759,670) included in Insurance Contract Liabilities (Note 11) to the financial statements.

Notes to the financial statements continued**9. Share capital**

	2021		2020	
	NO OF SHARES	RM	NO OF SHARES	RM
<u>Issued and fully paid share capital</u>				
At 1 January/31 December -				
Ordinary shares	216,000,000	108,000,000	216,000,000	108,000,000

**10. Retained earnings**

The Company may distribute single tier exempt dividend to its shareholder 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 position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

**11. Insurance contract liabilities**

	GROSS RM	REINSURANCE RM	NET RM
<b>At 31 December 2021</b>			
Provision for outstanding claims	243,618,592	(56,294,170)	187,324,422
Provision for incurred but not reported claims ("IBNR")	97,068,134	(11,714,815)	85,353,319
Claims liabilities (i)	340,686,726	(68,008,985)	272,677,741
Premium liabilities (ii)	77,247,335	(5,410,327)	71,837,008
	417,934,061	(73,419,312)	344,514,749
<b>At 31 December 2020</b>			
Provision for outstanding claims	243,054,615	(66,814,954)	176,239,661
Provision for incurred but not reported claims ("IBNR")	77,745,786	(4,647,157)	73,098,629
Claims liabilities (i)	320,800,401	(71,462,111)	249,338,290
Premium liabilities (ii)	86,919,569	(5,936,013)	80,983,556
	407,719,970	(77,398,124)	330,321,846
		<b>2021 RM</b>	<b>2020 RM</b>
Gross:			
Current		272,976,744	272,898,410
Non current		144,957,317	134,821,560
		417,934,061	407,719,970
Reinsurance:			
Current		(52,035,165)	(47,881,569)
Non current		(21,384,147)	(29,516,555)
		(73,419,312)	(77,398,124)
Net:			
Current		220,941,579	225,016,841
Non current		123,573,170	105,305,005
		344,514,749	330,321,846

	GROSS RM	2021 REINSURANCE RM	NET RM
<b>(i) Claims liabilities</b>			
<b>At 1 January</b>	320,800,401	(71,462,111)	249,338,290
Claims incurred in the current accident year	116,352,882	(8,549,665)	107,803,217
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	18,083,067	(9,612,322)	8,470,745
Other claims experience movements to claims incurred	(43,078,637)	21,817,543	(21,261,094)
Claims paid during the financial year	(71,470,987)	(202,430)	(71,673,417)
<b>At 31 December</b>	340,686,726	(68,008,985)	272,677,741
<b>(ii) Premium liabilities</b>			
<b>At 1 January</b>	86,919,569	(5,936,013)	80,983,556
Premium written in the financial year	209,537,613	(46,036,652)	163,500,961
Premium earned during the financial year	(219,209,847)	46,562,338	(172,647,509)
<b>At 31 December</b>	77,247,335	(5,410,327)	71,837,008
	GROSS RM	2020 REINSURANCE RM	NET RM
<b>(i) Claims liabilities</b>			
<b>At 1 January</b>	300,135,039	(54,857,930)	245,277,109
Claims incurred in the current accident year	142,925,566	(25,414,678)	117,510,888
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	19,007,410	(7,483,501)	11,523,909
Other claims experience movements to claims incurred	(18,799,167)	(13,188,619)	(31,987,786)
Claims paid during the financial year	(122,468,447)	29,482,617	(92,985,830)
<b>At 31 December</b>	320,800,401	(71,462,111)	249,338,290
<b>(ii) Premium liabilities</b>			
<b>At 1 January</b>	104,231,021	(5,210,573)	99,020,448
Premium written in the financial year	218,352,045	(53,531,566)	164,820,479
Premium earned during the financial year	(235,663,497)	52,806,126	(182,857,371)
<b>At 31 December</b>	86,919,569	(5,936,013)	80,983,556

Notes to the financial statements continued**12. Deferred tax asset**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	<b>2021 RM</b>	<b>2020 RM</b>
As at 1 January	3,265,355	5,104,987
Recognised in income statement (note 19)	430,025	(1,839,632)
As at 31 December	3,695,380	3,265,355

The movements in deferred tax asset during the financial year comprise the tax effects of the following:

	<b>AT 1 JANUARY RM</b>	<b>(CHARGED)/ CREDITED RM</b>	<b>AT 31 DECEMBER RM</b>
<b>2021</b>			
Recognised in income statement:			
Excess of capital allowance over depreciation	(8,686)	(133,879)	(142,565)
Impairment loss on insurance receivables	1,088,887	231,829	1,320,716
Premium liabilities	518,297	113,850	632,147
Employee benefits accrued	1,109,522	(306,624)	802,898
Other provisions	557,335	524,849	1,082,184
	3,265,355	430,025	3,695,380
<b>2020</b>			
Recognised in income statement:			
Excess of capital allowance over depreciation	(158,593)	149,907	(8,686)
Impairment loss on insurance receivables	875,151	213,736	1,088,887
Premium liabilities	826,110	(307,813)	518,297
Employee benefits accrued	815,887	293,635	1,109,522
Other provisions	2,746,431	(2,189,097)	557,334
	5,104,986	(1,839,632)	3,265,354

**13. Insurance payables**

	<b>2021 RM</b>	<b>2020 RM</b>
Due to agents and intermediaries	4,273,292	11,223,160
Due to reinsurers and cedants	19,403,340	4,563,396
	23,676,632	15,786,556
Payable within 12 months	23,676,632	15,786,556

The carrying amount disclosed above approximates the fair value at the date of the statement of financial position.

	<b>2021 RM</b>	<b>2020 RM</b>
Gross amounts of recognised financial liabilities	33,657,883	24,498,333
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 7)	(9,981,251)	(8,711,777)
Net amounts of financial liabilities presented in the statement of financial position	23,676,632	15,786,556

As disclosed in Note 7 to the financial statements, there are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2021 (31 December 2020: Nil).

**14. Other payables**

	2021 RM	2020 RM
Payroll liabilities	3,787,244	5,116,349
Duties and other taxes payable	64,132	682,510
Other liabilities	5,881,850	4,247,141
Payroll restructuring cost	-	1,459,376
Advance cash call for reinsurers	22,666,056	44,652,537
Accrual of Head Office Charges	9,224,544	9,224,544
Provision for profit commission	2,020,106	1,950,227
	43,643,932	67,332,684

The carrying amount disclosed above approximates the fair value at the date of the statement of financial position.

All amounts are payable within one year.

A reconciliation of the provision for profit commission is as follows:

	2021 RM	2020 RM
At 1 January	1,950,227	2,029,030
Profit commission paid	(1,757,121)	(1,905,803)
Over provision in prior financial year	(193,106)	(123,227)
Current financial year	2,020,106	1,950,227
	2,020,106	1,950,227
At 31 December	2,020,106	1,950,227

**15. Net earned premiums**

	2021 RM	2020 RM
<b>(a) Gross earned premiums</b>		
Written premium	209,537,613	218,352,045
Change in premium liabilities	9,672,234	17,311,452
	219,209,847	235,663,497
<b>(b) Premiums ceded</b>		
Ceded premium	(46,036,652)	(53,531,566)
Change in premium liabilities	(525,686)	725,440
	(46,562,338)	(52,806,126)
<b>Net earned premiums</b>	172,647,509	182,857,371

Notes to the financial statements continued**16. Investment income**

	<b>2021 RM</b>	<b>2020 RM</b>
LAR investments		
Interest income	10,922,402	16,109,340
Investment income - MMIP	(756,032)	3,107,521
	<b>10,166,370</b>	<b>19,216,861</b>

**17. Management expenses**

	<b>2021 RM</b>	<b>2020 RM</b>
Staff salaries and bonus	15,699,729	20,124,571
Defined contribution plans	2,384,480	2,689,593
Other employee benefits	1,743,383	914,379
Staff costs	<b>19,827,592</b>	<b>23,728,543</b>
Non-Executive Directors:		
Fees	273,264	228,800
Others	5,000	17,000
Directors' remuneration	<b>278,264</b>	<b>245,800</b>
Depreciation of plant and equipment	1,211,902	1,310,157
Amortisation of intangible assets	716,090	1,180,077
Depreciation of right-of-use assets	713,605	1,116,080
Auditors' remuneration:		
Statutory audit:		
Current year	282,578	282,578
Under provision in prior year	12,500	-
Other services	1,000	1,000
Office rental	30,788	22,312
EDP expenses	4,024,600	2,286,336
Communication expenses	161,916	125,953
Travelling expenses	363,181	609,700
Bad debts and doubtful debts:		
Allowance of impairment on insurance receivables	965,954	890,566
Bad debts written off	41,822	79,398
Head office expenses	9,224,536	9,224,536
Interest expense for lease liabilities	23,801	44,560
Restructuring cost	78,408	2,975,378
Other expenses	8,506,893	9,723,435
	<b>26,359,574</b>	<b>29,872,066</b>
Total Expenses	<b>46,465,430</b>	<b>53,846,409</b>

Included in staff costs are benefits-in-kind attributable to the Company's Chief Executive Officer amounting to RM809,901 (2020: RM2,636,149).

## 18. Key management personnel

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, including any director (executive or non-executive).

The total remuneration of the Directors is disclosed in Note 17 to the financial statements.

The compensation of the Chief Executive Officer and Non-Executive Directors are as follows:

	FEE RM	SALARY RM	BONUS RM	OTHERS RM	BENEFIT- IN-KIND RM	TOTAL RM
<b>2021</b>						
<u>Chief Executive Officer</u>						
Sunther Kuppan	-	539,326	88,306	150,364	31,905	809,901
<u>Non-Executive Directors</u>						
Arunothayam Rajaratnam	129,264	-	-	-	-	129,264
Dato' Tan Ang Meng	72,000	-	-	5,000	-	77,000
Saw Teow Yam	72,000	-	-	-	-	72,000
	273,264	539,326	88,306	155,364	31,905	1,088,165

	FEE RM	SALARY RM	BONUS RM	OTHERS RM	BENEFIT- IN-KIND RM	TOTAL RM
<b>2020</b>						
<u>Chief Executive Officer</u>						
Christopher Paul Kurinsky	-	885,212	39	1,475,379	275,519	2,636,149
<u>Non-Executive Directors</u>						
Dato' Koh Hong Sun	84,800	-	-	5,000	-	89,800
Arunothayam Rajaratnam	72,000	-	-	6,000	-	78,000
Dato' Tan Ang Meng	72,000	-	-	6,000	-	78,000
	228,800	885,212	39	1,492,379	275,519	2,881,949

There is no compensation paid to Executive Directors during the financial year.

The compensation of the other key management personnel is as follows:

	2021 RM	2020 RM
Salary and other remuneration	2,649,850	4,130,271
Benefits-in-kind	38,596	45,031
	2,688,446	4,175,302
<b>Number of officers</b>		
	2021	2020
Salary and other remuneration	8	9
Benefits-in-kind	8	9

Notes to the financial statements continued**19. Income tax expense**

	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Current tax	4,007,523	3,150,723
Deferred tax	(430,025)	1,839,632
<b>Tax expense</b>	<b>3,577,498</b>	<b>4,990,355</b>
<u>Current tax</u>		
Current year	4,377,187	5,255,340
Over provision in prior financial years	(369,664)	(2,104,617)
	4,007,523	3,150,723
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(511,263)	(368,736)
Under provision in prior financial years	81,238	2,208,368
	(430,025)	1,839,632
	3,577,498	4,990,355
Reconciliation of prime facie tax to income tax expenses:		
Profit before tax	13,174,059	20,667,853
Tax calculated at the Malaysian Tax rate of 24%	3,161,774	4,960,285
Tax effect of:		
Non-deductible expenses	219,252	144,213
Non-deductible foreign reinsurance expenses	484,898	545,109
Non-taxable income	-	(763,003)
(Over)/under provision in prior financial years	(288,426)	103,751
<b>Income tax expense attributable to profit</b>	<b>3,577,498</b>	<b>4,990,355</b>

**20. Earnings per share**

The earnings per ordinary share has been calculated based on the net profit for the financial year of RM9,596,561 (2020: RM15,677,498) and on the weighted average number of ordinary shares in issue during the financial year of 216,000,000 (2020: 216,000,000).

**21. Dividend**

No dividend was paid during the financial year (2020: Nil) and the Directors have not recommended any final dividend to be paid for the financial year under review.

## 22. Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

The related parties of, and their relationship with the Company, are as follows:

Related Companies	Relationship
QBE Insurance Group Limited (Incorporated in Australia)	Ultimate holding company
QBE Insurance Holdings Pty Limited (Incorporated in Australia)	Penultimate holding company
QBE Asia Pacific Holdings Limited (Incorporated in Hongkong)	Immediate holding company
QBE Group Services Pty Ltd - HongKong Branch (Incorporated in Australia)	Ultimate holding company
QBE Insurance (Australia) Limited (Incorporated in Australia)	Subsidiary of ultimate holding company
Equator Reinsurances Limited (Incorporated in Bermuda)	Subsidiary of penultimate holding company
QBE UK Limited (Incorporated in United Kingdom)	Subsidiary of penultimate holding company
QBE Insurance (International) Pty Ltd (Incorporated in Australia)	Subsidiary of penultimate holding company
QBE European Services Limited (Incorporated in United Kingdom)	Subsidiary of penultimate holding company
QBE European Underwriting Services (Australia) Pty Limited (Incorporated in Australia)	Subsidiary of penultimate holding company
Raheja QBE General Insurance Company Limited (Incorporated in India)	Associate of penultimate holding company
QBE Insurance (Vietnam) Company Limited (Incorporated in Vietnam)	Subsidiary of penultimate holding company
QBE General Insurance (Hongkong) Ltd (Incorporated in Hongkong)	Subsidiary of immediate holding company
QBE Insurance (Singapore) Pte Ltd (Incorporated in Singapore)	Subsidiary of immediate holding company
QBE Hongkong & Shanghai Insurance Limited (Incorporated in Hongkong)	Subsidiary of immediate holding company

In the normal course of business, the Company undertakes various transactions with other companies deemed related on terms agreed between the Company and related parties.

The significant related party transactions during the financial year and balances at the financial year end between the Company and these related parties are set out as follows:

	2021 RM	2020 RM
<b>Ultimate holding company</b>		
Head office charges*	(9,224,536)	(9,224,536)
<b>Business transactions with subsidiaries of ultimate holding:</b>		
Reinsurance claims recoveries	223,707	872,940
Reinsurance premium ceded	(3,410,001)	(4,804,287)
Reinsurance commission earned	847,447	1,458,394
<b>Business transactions with subsidiaries of penultimate holding:</b>		
Reinsurance claims recoveries	18,338,552	7,497,456
Reinsurance premium ceded	(30,915,778)	(34,741,395)
Reinsurance commission earned	3,175,033	2,889,150
<b>Business transactions with subsidiaries of immediate holding:</b>		
Reinsurance claims recoveries	49,603	-
Reinsurance premium ceded	(385,787)	(1,912,652)
Reinsurance commission earned	59,816	363,212

## Notes to the financial statements continued

### 22. Significant related party disclosures (continued)

Amounts due from / (due to) related entities as at the date of the statement of financial position are set out below:

	2021 RM	2020 RM
<b>Amount due from related companies:</b>		
Insurance receivables	11,325,647	12,102,093
Other receivables	-	11,482
Reinsurance assets - claims liabilities	40,934,473	71,433,983
<b>Amount due to related companies:</b>		
Insurance payables	(36,652,112)	(11,224,664)
Other payables	(6,597,293)	(6,925,715)

\* The head office charges are comprised of technical services and training expenses, marketing and communication support expenses, finance and accounting support expenses, human resources support expenses, risk management and compliance support expenses, actuarial support expenses and General IT management support expenses.

### 23. Risk management framework

The Board annually approves a comprehensive risk management strategy ("RMS") and a reinsurance management strategy ("REMS"), both of which are available for review by BNM when requested. The Company's risk management policy, strategy and framework are embedded in all operations, ensuring a consistent approach to managing risk across the organisation.

The Company's strategy for managing risk is to:

- achieve competitive advantage by better understanding the risk environments in which we operate;
- operate within our stated risk appetite and more effectively allocating capital and resources by assessing the balance of risk and reward; and
- avoid unwelcome surprises by reducing uncertainty and volatility through the identification and management of risks to the achievement of strategies and objectives.

The Company aims to adopt a rigorous approach to managing risk. The key objectives of the Company's approach to risk management are to:

- drive conscious and objective risk-based decisions to optimise return;
- give confidence to the business to actively take appropriate risks; and
- adopt leading practices and a single Enterprise Risk Management ("ERM") approach globally that allows for more consistent and improved outcomes.

It is the Company's philosophy to ensure that risk management is embedded in the business and that the risk makers or risk takers are themselves the risk managers. Embedding a risk assessment mindset in business planning and management processes assists in keeping focus on the key objectives and identifying metrics required to monitor portfolio performance and improvement initiatives. The management of risk must occur at each point in the business management cycle.

Risk management is a key part of strategic and business planning. It underpins the setting of limits and authorities and it is embedded in the monitoring and evaluation of performance. This approach to risk management supports the Company in ensuring the Company's risks are managed in an integrated manner.

The Company is in the business of managing risk. The Company's ability to satisfy customers' risk management needs is central to what it does. The Company aims to generate wealth and maximise returns for its shareholders by pursuing opportunities that involve risk. The Company's people have the responsibility to ensure that the key risks are managed and controlled on a day-to-day basis. The Company aims to use its ability to properly manage risk to provide more certainty and improved outcome for all stakeholders.

The Company seeks to only take on risks that fall within the Company's stated risk appetite and aims to manage them in a way to achieve an optimal return overall. The Company's ERM Framework is designed to support this approach and enhance decision-making by its people. A strong approach to risk management informs decision-making and enables the Company to measure and judge its risk exposures. Ultimately, this gives the Company greater confidence and expands its capacity to take on risks to improve returns.

The Company's risk profile is assessed under the following broad risk categories:

- Strategic risk
- Insurance risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Group Risk

Each of these is described more fully in sections (a) to (g) below.

**(a) Strategic risk**

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. Strategic risk includes the following sub categories:

- business product, market, and distribution approach;
- capital structure and management;
- acquisition decision and negotiation;
- tax planning and decisioning; and
- investment strategy.

**(b) Insurance risk**

Insurance risk is the risk of fluctuation in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Insurance risk includes the following sub categories:

- underwriting/pricing;
- insurance concentrations;
- reserving; and
- reinsurance.

**(c) Credit risk**

Credit risk is the risk of not covering money owed to the company by third parties as well as the loss of value of assets due to deterioration in credit quality. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors. Credit risk includes the following sub categories:

- reinsurance counterparty credit and other recoveries;
- premium and other counterparty credit; and
- investment counterparty credit.

**(d) Market risk**

Market risk is the risk of variation in the value of investments due to movements in market factors. Market factors include but are not limited to interest rates, credit spreads, foreign exchange rates, equity prices and commodity derivatives. Market risk includes the following sub categories:

- investment market movement (including equity, interest rate, credit spreads); and
- foreign exchange rate movement.

**(e) Liquidity risk**

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to do so at excessive cost.

**(f) Operational risk**

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risk). Operational risk includes the following sub categories:

- internal fraud;
- external fraud;
- employment practices (people risks);
- improper business practices;
- disasters and other events;
- technology and infrastructure failures; and
- business and transaction processing

**(g) Group risk**

Group Risk is the risk to the Company arising specifically from being part of the wider QBE Group, including financial impact and loss of support from the parent company.

Notes to the financial statements continued**24. Insurance risk**

The table below sets out the concentration of General insurance contracts liabilities by type of contract.

	2021			2020		
	GROSS RM	REINSURANCE RM	NET RM	GROSS RM	REINSURANCE RM	NET RM
Motor	59,371,668	(805,190)	58,566,478	69,728,486	(892,016)	68,836,470
Fire	92,076,175	(37,975,088)	54,101,087	124,042,852	(73,112,512)	50,930,340
Marine, Aviation & Transit	45,415,743	(7,725,410)	37,690,333	45,867,595	(7,403,210)	38,464,385
Miscellaneous	221,070,475	(26,913,624)	194,156,851	168,081,037	4,009,614	172,090,651
Insurance contract liabilities	417,934,061	(73,419,312)	344,514,749	407,719,970	(77,398,124)	330,321,846

**Key Assumptions**

The principal assumptions 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 assumption in respect of average claims costs, claim handling costs and average number of claims for each accident year. Assumptions are also made in relation to the rate of claims inflation in the future.

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

Other key circumstances affecting the reliability of assumption include variation in interest rates and delays in settlement.

**Sensitivities**

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

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

	CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES RM	IMPACT ON NET LIABILITIES RM	IMPACT ON PROFIT BEFORE TAX (ADDITIONAL LOSS) RM	IMPACT ON EQUITY RM
<b>31 December 2021</b>					
Average claim cost	+10%	34,068,673	27,267,774	27,267,774	20,723,508
Number of claims	+10%	4,105,836	3,286,216	3,286,216	2,497,524
Inflation	+1%	4,358,301	3,699,912	3,699,912	2,811,933
Discount rate	-1%	4,441,880	3,769,455	3,769,455	2,864,786
Ultimate loss ratio	+5%	11,069,999	8,636,586	8,636,586	6,563,805
<b>31 December 2020</b>					
Average claim cost	+10%	32,080,040	24,933,829	24,933,829	18,949,710
Number of claims	+10%	4,397,100	3,417,593	3,417,593	2,597,371
Inflation	+1%	3,991,000	3,246,717	3,246,717	2,467,505
Discount rate	-1%	4,093,213	3,329,313	3,329,313	2,530,278
Ultimate loss ratio	+5%	11,900,232	9,309,138	9,309,138	7,074,945

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

### Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercise a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin maintained should decrease.

Gross General Insurance Claims Liabilities for 2021:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	
At end of accident year		137,702	147,906	150,448	318,069	201,375	193,055	142,926	116,353		
One year later		132,111	153,306	144,840	262,359	180,901	220,273	139,792			
Two years later		126,849	146,455	142,151	264,645	176,999	215,128				
Three years later		121,899	141,555	141,354	256,888	174,958					
Four years later		120,786	143,639	136,209	250,089						
Five years later		123,431	139,067	135,721							
Six years later		119,827	137,425								
Seven years later		117,203									
<b>Current estimate of cumulative claims incurred</b>		117,203	137,425	135,721	250,089	174,958	215,128	139,792	116,353		
<b>Claims payment Accident year</b>											
At end of accident year		40,951	30,387	29,013	55,141	47,739	83,516	36,373	17,014		
One year later		83,131	93,762	91,043	166,880	104,172	125,908	59,627			
Two years later		96,948	119,597	113,630	202,520	128,739	132,015				
Three years later		106,400	125,981	123,073	217,449	140,772					
Four years later		110,386	131,350	124,715	225,831						
Five years later		112,982	132,036	127,890							
Six years later		113,325	132,606								
Seven years later		114,031									
<b>Cumulative payments to-date</b>		114,031	132,606	127,890	225,831	140,772	132,015	59,627	17,014		
Gross general insurance contract liabilities per statement of financial position	11	3,804	3,172	4,819	7,831	24,258	34,186	83,113	80,165	99,339	340,687
Current estimate of surplus % surplus of initial gross reserve			15%	7%	10%	21%	13%	-11%	2%	0%	

Notes to the financial statements continued**24. Insurance risk** (continued)

Net General Insurance Claims Liabilities for 2021:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	
At end of accident year		116,455	135,095	141,688	182,898	159,178	139,597	117,511	107,803		
One year later		113,209	130,217	133,720	161,302	144,953	142,288	116,516			
Two years later		108,363	122,328	131,981	168,760	142,647	138,955				
Three years later		101,061	118,863	130,848	159,981	146,038					
Four years later		99,977	118,245	126,195	157,684						
Five years later		102,737	113,896	125,148							
Six years later		99,945	113,179								
Seven years later		97,229									
<b>Current estimate of cumulative claims incurred</b>		97,229	113,179	125,148	157,684	146,038	138,955	116,516	107,803		
<b>Claims payment Accident year</b>											
At end of accident year		25,372	28,684	28,137	47,443	40,445	41,473	27,081	16,431		
One year later		65,743	80,636	86,273	105,958	86,405	75,330	49,338			
Two years later		79,712	99,378	108,009	126,139	105,322	89,797				
Three years later		86,539	104,878	115,142	136,384	118,093					
Four years later		90,441	108,466	116,757	138,494						
Five years later		92,953	107,865	118,199							
Six years later		93,293	109,128								
Seven years later		93,996									
<b>Cumulative payments to-date</b>		93,996	109,128	118,199	138,494	118,093	89,797	49,338	16,431		
Net general insurance contract liabilities per statement of financial position	11	3,602	3,233	4,051	6,949	19,190	27,945	49,158	67,178	91,372	272,678
Current estimate of surplus % surplus of initial gross reserve			17%	16%	12%	14%	8%	0%	1%	0%	

Gross General Insurance Claims Liabilities for 2020:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL
		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	
At end of accident year		94,132	137,702	147,906	150,448	318,069	201,375	193,055	142,926		
One year later		91,690	132,111	153,306	144,840	262,359	180,901	220,273			
Two years later		87,219	126,849	146,455	142,151	264,645	176,999				
Three years later		83,941	121,899	141,555	141,354	256,888					
Four years later		82,380	120,786	143,639	136,209						
Five years later		82,296	123,431	139,067							
Six years later		81,942	119,827								
Seven years later		81,030									
<b>Current estimate of cumulative claims incurred</b>		81,030	119,827	139,067	136,209	256,888	176,999	220,273	142,926		
<b>Claims payment Accident year</b>											
At end of accident year		20,147	40,951	30,387	29,013	55,141	47,739	83,516	36,373		
One year later		54,947	83,131	93,762	91,043	166,880	104,172	125,908			
Two years later		62,620	96,948	119,597	113,630	202,520	128,739				
Three years later		68,426	106,400	125,981	123,073	217,449					
Four years later		71,272	110,386	131,350	124,715						
Five years later		74,659	112,982	132,036							
Six years later		76,337	113,325								
Seven years later		76,938									
<b>Cumulative payments to-date</b>		76,938	113,325	132,036	124,715	217,449	128,739	125,908	36,373		
Gross general insurance contract liabilities per statement of financial position	11	3,064	4,092	6,502	7,031	11,494	39,439	48,260	94,365	106,553	320,800
Current estimate of surplus % surplus of initial gross reserve			14%	13%	6%	9%	19%	12%	-14%	0%	

Notes to the financial statements continued**24. Insurance risk** (continued)

Net General Insurance Claims Liabilities for 2020:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		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	
At end of accident year		85,959	116,455	135,095	141,688	182,898	159,178	139,597	117,511		
One year later		82,605	113,209	130,217	133,720	161,302	144,953	142,288			
Two years later		77,868	108,363	122,328	131,981	168,760	142,647				
Three years later		73,183	101,061	118,863	130,848	159,981					
Four years later		71,807	99,977	118,245	126,195						
Five years later		71,328	102,737	113,896							
Six years later		71,148	99,945								
Seven years later		70,220									
<b>Current estimate of cumulative claims incurred</b>		70,220	99,945	113,896	126,195	159,981	142,647	142,288	117,511		
<b>Claims payment Accident year</b>											
At end of accident year		18,900	25,372	28,684	28,137	47,443	40,445	41,473	27,081		
One year later		46,684	65,743	80,636	86,273	105,958	86,405	75,330			
Two years later		54,181	79,712	99,378	108,009	126,139	105,322				
Three years later		57,993	86,539	104,878	115,142	136,384					
Four years later		60,995	90,441	108,466	116,757						
Five years later		63,911	92,953	107,865							
Six years later		65,429	93,293								
Seven years later		66,029									
<b>Cumulative payments to-date</b>		66,029	93,293	107,865	116,757	136,384	105,322	75,330	27,081		
Net general insurance contract liabilities per statement of financial position	11	4,716	4,191	6,652	6,031	9,438	23,597	37,325	66,958	90,430	249,338
Current estimate of surplus % surplus of initial gross reserve			18%	14%	16%	11%	13%	10%	-2%	0%	

## 25. Financial risks

### (1) Credit Risk

In the normal course of business, the Company incurs credit risk from trade receivables and financial institutions. There is no significant concentration of credit risk.

The credit risk on financial assets of the Company is generally the carrying amount, which is net of any allowances. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counterparty. The Company does not expect any counterparties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security.

#### Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments.

	NOTE	2021 RM	2020 RM
LAR:			
Fixed and call deposits	6(a)	488,199,944	477,647,273
Reinsurance assets - claims liabilities	11	68,008,985	71,462,111
Insurance receivables	7	70,128,830	74,829,278
Other receivables (exclude prepayment)	8	48,956,458	52,420,476
Cash and bank balances		19,449,327	15,360,705
		694,743,544	691,719,843

To manage the credit risks of insurance receivables, the Company has established credit policies that govern credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the ageing analysis of balance overdue, and the management will monitor the ageing analysis on a regular basis.

The following table summarises the credit quality of financial assets and reinsurance assets at the date of the statement of financial position.

	NEITHER PAST-DUE NOR IMPAIRED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
<b>31 December 2021</b>				
LAR:				
Fixed and call deposits	488,199,944	-	-	488,199,944
Reinsurance assets - claims liabilities	68,008,985	-	-	68,008,985
Insurance receivables	35,865,832	34,262,998	5,502,984	75,631,814
Other receivables	48,956,458	-	-	48,956,458
Cash and bank balances	19,449,327	-	-	19,449,327
	660,480,546	34,262,998	5,502,984	700,246,528
Allowance for impairment	-	-	(5,502,984)	(5,502,984)
	660,480,546	34,262,998	-	694,743,544

Notes to the financial statements continued**25. Financial risks** (continued)**(1) Credit Risk** (continued)**Credit Exposure** (continued)

	NEITHER PAST-DUE NOR IMPAIRED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
<b>31 December 2020</b>				
LAR:				
Fixed and call deposits	477,647,273	-	-	477,647,273
Reinsurance assets - claims liabilities	71,462,111	-	-	71,462,111
Insurance receivables	38,708,438	36,120,840	4,537,030	79,366,308
Other receivables	52,420,476	-	-	52,420,476
Cash and bank balances	15,360,705	-	-	15,360,705
	655,599,003	36,120,840	4,537,030	696,256,873
Allowance for impairment	-	-	(4,537,030)	(4,537,030)
	655,599,003	36,120,840	-	691,719,843

**Credit Exposure by Credit Rating**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the recognised local or international rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Rated assets fall outside the range of AAA to BBB are classified as speculative grade and thus are considered as non-investment grade.

	AAA RM	AA RM	A RM	NOT RATED RM	TOTAL RM
<b>31 December 2021</b>					
LAR:					
Fixed and call deposits	255,176,220	233,023,724	-	-	488,199,944
Reinsurance assets - claims liabilities	-	6,496,213	53,467,538	8,045,234	68,008,985
Insurance receivables	-	3,000,924	2,565,723	64,562,183	70,128,830
Other receivables	-	-	-	48,956,458	48,956,458
Cash and bank balances	17,942,081	-	1,499,246	8,000	19,449,327
	273,118,301	242,520,861	57,532,507	121,571,875	694,743,544
<b>31 December 2020</b>					
LAR:					
Fixed and call deposits	277,341,094	200,306,179	-	-	477,647,273
Reinsurance assets - claims liabilities	-	12,033,053	55,155,999	4,273,059	71,462,111
Insurance receivables	-	59,303	654,408	74,115,567	74,829,278
Other receivables	-	-	-	52,420,476	52,420,476
Cash and bank balances	14,593,394	-	758,811	8,500	15,360,705
	291,934,488	212,398,535	56,569,218	130,817,602	691,719,843

During the financial year, no credit exposure limits were exceeded.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

#### Aged Analysis of Financial Assets Past-Due But Not Impaired\*

	< 30 DAYS	31-60 DAYS	61-90 DAYS	>90 DAYS	TOTAL
<b>31 December 2021</b>					
Insurance receivables	6,137,015	13,615,060	8,173,286	6,337,637	34,262,998
<b>31 December 2020</b>					
Insurance receivables	4,117,426	13,809,283	7,304,884	10,889,247	36,120,840

\* Past-due but not impaired refers to amounts outstanding more than 90 days from the effective date of the transactions. The above balances had been aged according to the period subsequent to classification of these balances as past-due.

#### Impaired Financial Assets

A receivable is considered as individually impaired if the counterparty is in the process of liquidation or legal action has been taken to recover the outstanding balances.

At 31 December 2021, based on individual assessment of insurance receivables, there are impaired insurance receivables of RM5,502,984 (2020: RM4,537,030). The Company considers insurance receivables classified as "past due and impaired" as those which the Company has remote chance to recover. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables in separate allowance for impairment losses account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	2021 RM	2020 RM
<b>At 1 January</b>		
Allowance	4,537,030	3,646,464
	965,954	890,566
<b>At 31 December</b>	5,502,984	4,537,030

## (2) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- In addition to treasury cash held for working capital requirements, and in accordance with the Company's liquidity policy, a minimum percentage of investments and cash are held in liquid short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations.
- The Company limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

#### Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivables.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Premium liabilities and the corresponding reinsurers' share of premium liabilities have been excluded from the analysis as they do not contain any contractual obligations.

Notes to the financial statements continued**25. Financial risks** (continued)**(2) Liquidity Risk** (continued)**Maturity Profiles** (continued)

	<b>CARRYING VALUE RM</b>	<b>UP TO A YEAR RM</b>	<b>1-3 YEARS RM</b>	<b>3-5 YEARS RM</b>	<b>5-15 YEARS RM</b>	<b>TOTAL RM</b>
<b>2021</b>						
Investments:						
LAR	488,199,944	493,402,331	-	-	-	493,402,331
Reinsurance assets -						
claims liabilities	68,008,985	46,624,838	18,778,888	2,238,421	366,838	68,008,985
Insurance receivables	70,128,830	70,128,830	-	-	-	70,128,830
Tax recoverable	1,181,704	1,181,704	-	-	-	1,181,704
Cash and bank balances	19,449,327	19,449,327	-	-	-	19,449,327
<b>Total assets</b>	<b>646,968,790</b>	<b>630,787,030</b>	<b>18,778,888</b>	<b>2,238,421</b>	<b>366,838</b>	<b>652,171,177</b>
Insurance contract liabilities -						
claims liabilities	340,686,726	195,729,409	112,612,151	23,651,520	8,693,646	340,686,726
Insurance payables	23,676,632	23,676,632	-	-	-	23,676,632
Lease liabilities	664,313	480,891	183,422	-	-	664,313
Other payables	39,792,556	39,792,556	-	-	-	39,792,556
Tax payable	1,393,789	1,393,789	-	-	-	1,393,789
<b>Total liabilities</b>	<b>406,214,016</b>	<b>261,073,277</b>	<b>112,795,573</b>	<b>23,651,520</b>	<b>8,693,646</b>	<b>406,214,016</b>
<b>2020</b>						
Investments:						
LAR	477,647,273	483,265,418	-	-	-	483,265,418
Reinsurance assets -						
claims liabilities	71,462,111	41,945,556	26,685,532	2,612,382	218,641	71,462,111
Insurance receivables	74,829,278	74,829,278	-	-	-	74,829,278
Tax recoverable	1,181,704	1,181,704	-	-	-	1,181,704
Cash and bank balances	15,360,705	15,360,705	-	-	-	15,360,705
<b>Total assets</b>	<b>640,481,071</b>	<b>616,582,661</b>	<b>26,685,532</b>	<b>2,612,382</b>	<b>218,641</b>	<b>646,099,216</b>
Insurance contract liabilities -						
claims liabilities	320,800,402	185,978,841	107,004,717	20,271,347	7,545,497	320,800,402
Insurance payables	15,786,556	15,786,556	-	-	-	15,786,556
Lease liabilities	1,032,356	676,745	355,611	-	-	1,032,356
Other payables	61,533,825	61,533,825	-	-	-	61,533,825
Tax payable	1,910,805	1,910,805	-	-	-	1,910,805
<b>Total liabilities</b>	<b>401,063,944</b>	<b>265,886,772</b>	<b>107,360,328</b>	<b>20,271,347</b>	<b>7,545,497</b>	<b>401,063,944</b>

The table below summarises the expected utilisation or settlement of assets:

	CURRENT*	NON-CURRENT	TOTAL
	RM	RM	RM
<b>31 December 2021</b>			
Property, plant and equipment	-	3,242,709	3,242,709
Intangible assets	-	733,834	733,834
Right-of-use assets	27,383	5,881,805	5,909,188
Investments:			
- LAR	488,199,944	-	488,199,944
Reinsurance assets	52,035,165	21,384,147	73,419,312
Insurance receivables	70,128,830	-	70,128,830
Other receivables	47,502,444	1,454,014	48,956,458
Deferred tax asset	-	3,695,380	3,695,380
Cash and bank balances	19,449,327	-	19,449,327
<b>Total assets</b>	<b>677,343,093</b>	<b>36,391,889</b>	<b>713,734,982</b>
<b>31 December 2020</b>			
Property, plant and equipment	-	2,650,487	2,650,487
Intangible assets	-	978,778	978,778
Right-of-use assets	430,268	5,921,051	6,351,319
Investments:			
- LAR	477,647,273	-	477,647,273
Reinsurance assets	47,881,569	29,516,555	77,398,124
Insurance receivables	74,829,278	-	74,829,278
Other receivables	50,965,933	1,454,543	52,420,476
Deferred tax asset	-	3,265,355	3,265,355
Cash and bank balances	15,360,705	-	15,360,705
<b>Total assets</b>	<b>667,115,026</b>	<b>43,786,769</b>	<b>710,901,795</b>

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

### (3) 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 (3) types of risk - foreign exchanges rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

The key features of the Company's market risk management practices and policies are as follows:

- The Company is exposed to market risk on its investments in fixed interest securities. It is not the Company's policy to hedge its market risks.
- The risk management process is subject to regular internal audit and close senior management scrutiny, including regular Board and other management reporting.
- All investments are made in accordance with the Company's investments guidelines which are approved by the Board of Directors.

### Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and the Company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise. It is not the Company's policy to hedge its foreign currency risks.

The Company's main foreign exchange risk come from recognised assets and liabilities that arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in foreign exchange rates on reinsurance assets and liabilities is deemed minimal as the Company has no significant concentration of foreign currency risk.

## Notes to the financial statements continued

### 25. Financial risks (continued)

#### (3) Market Risk (continued)

##### Interest Rate/Profit Yield Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

The Company's risk management approach is to minimise interest rate risk by investing in high quality, liquid fixed interest securities and cash and actively managing the duration of the fixed interest portfolio.

##### Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

#### (4) 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 manages operational risk within the same robust control framework as its other risks. One of the cornerstones of the Company's risk management framework is the recruitment and retention of high-quality people who are entrusted with appropriate levels of authority within the parameters of disciplined risk management practices. The Company operates a system of delegated authorities based on expertise and proven performance, and compliance is closely monitored. Other controls include effective segregation of duties, access controls and authorisation and reconciliation procedures.

### 26. Regulatory capital requirements

As per the Risk Based Capital ("RBC") Framework issued by BNM, the Company is required to assess its capital profile and develop appropriate plans towards developing internal capital target/plans. In line with this requirement, management had developed a Capital Management Framework ("CMF") that takes into account the Company's strategic business direction and changing business environment, and adequate processes to monitor and ensure the maintenance of an appropriate level of capital which commensurate with the current risk profile of the Company. The Board had approved and adopted the CMF for implementation with effect from 10 August 2018.

The Risk & Capital Committee is responsible for the oversight of the Company's capital management. All proposals for any deviation from capital targets or capital raising exercise must be approved by the Risk & Capital Committee prior to recommendation to the Board of Directors for approval and implementation.

The capital structure of the company as at 31 December 2021 and 31 December 2020 as prescribed under the RBC Framework is as below:

	NOTE	2021 RM	2020 RM
<b>Eligible Tier 1 Capital</b>			
Share capital (paid-up)	9	108,000,000	108,000,000
Reserves, including retained earnings		119,989,139	110,392,578
		227,989,139	218,392,578
Amounts deducted from Capital	12	(3,695,380)	(3,265,355)
		224,293,759	215,127,223

## 27. Reclassification of leasehold building as right-of-use asset

The Company has classified the leasehold building as right-of-use asset during the current financial year in accordance with the requirements of MFRS 16 Leases. Accordingly, the comparative figures for the previous financial year ended 31 December 2020 have been reclassified from plant and equipment to right-of-use assets to conform with the current financial year's presentation. The impact to the Statement of Financial Position and Statement of Cash Flows are disclosed below, with no impact to other statements.

### Impact to the Statement of Financial Position

	BEFORE RECLASSIFICATION RM	RECLASSIFICATION RM	AFTER RECLASSIFICATION (RESTATED) RM
<b>As at 31 December 2020</b>			
Plant and equipment	7,948,774	(5,298,287)	2,650,487
Right-of-use assets	1,053,032	5,298,287	6,351,319
<b>As at 1 January 2020</b>			
Plant and equipment	8,212,525	(5,373,551)	2,838,974
Right-of-use assets	1,263,563	5,373,551	6,637,114

### Impact to the Statement of Cash Flows

	BEFORE RECLASSIFICATION RM	RECLASSIFICATION RM	AFTER RECLASSIFICATION (RESTATED) RM
<b>For the financial year ended 31 December 2020</b>			
<b>Cash flows from operating activities</b>			
Depreciation on plant and equipment	1,385,421	(75,264)	1,310,157
Depreciation on right-of-use assets	1,040,816	75,264	1,116,080

### Note 17 to Financial Statements - Management expenses

	BEFORE RECLASSIFICATION RM	RECLASSIFICATION RM	AFTER RECLASSIFICATION (RESTATED) RM
<b>FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020</b>			
Depreciation of plant and equipment	1,385,421	(75,264)	1,310,157
Depreciation on right-of-use assets	1,040,816	75,264	1,116,080

## 28. Capital commitment

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:-

	2021 RM	2020 RM
Plant and equipment	1,113,544	-

The above commitments include capital expenditure commitments of RM 1,113,544 relating to work-in-progress for office renovation.

Notes to the financial statements continued**29. Amendments to MFRS 4 – Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts’**

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 ‘Financial Instruments’ before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS ‘Insurance Contracts’, the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company’s business activity is predominately insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2023.

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Company’s financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding (“SPPI”):

	FAIR VALUE AS AT 31.12.2021 RM	CHANGE IN FAIR VALUE RM	CASH FLOWS CHARACTERISTIC
<b>Financial assets</b>			
Investments (Note 6)			
- Deposits with financial institutions	488,199,944	-	SPPI
Other receivables	48,956,458	-	SPPI
Cash and bank balances	19,449,327	-	SPPI
	556,605,729	-	
<b>Financial assets</b>			
Investments (Note 6)			
- Deposits with financial institutions	477,647,273	-	SPPI
Other receivables	52,420,476	-	SPPI
Cash and bank balances	15,360,705	-	SPPI
	545,428,454	-	

Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 4 Insurance Contracts.

Other than the financial assets included in the table above and assets that are within the scope of MFRS 4, Insurance Contracts, all other assets in the statement of financial position are non-financial asset.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

All financial assets with SPPI cash flows of the Company as at 31 December 2021 and 31 December 2020 have low credit risk and is disclosed in Note 25 in the financial statements.

### **30. Contingent liability**

On 13 September 2021, the Inland Revenue Board (“IRB”) issued a notification to the Company of its audit findings for years of assessment (“YA”) 2015 to 2018. Various discussions and exchanges of correspondences on the tax audit findings have been held between the Company and the IRB during the financial year, and the tax audit is still ongoing as at 31 December 2021.

The Company has obtained tax advice from its tax agents on the merits of the tax audit findings. Based on the tax advice, the Directors are of the opinion that no provision is required for the potential tax liability in the financial statements as at 31 December 2021 due to the tax estimation uncertainty and pending the final outcome of the tax audit by the IRB.

### **31. Approval of financial statements**

The financial statements were authorised for issue by the Board of Directors with a resolution of the Directors on 15 March 2022.

# Branch network

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