



2018 ANNUAL REPORT

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ANNUAL REPORT 2018

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Corporate information

Board of directors

Dato' Koh Hong Sun

*Master in Strategic & Security Studies
SIMP, DSAP, DIMP, DMPN, JSD, DSM,
PGPP, PSPP, KMN*

Ngoi Siew Cheng Adeline

*B. Soc Science Hons (Economics)
Fellow, UK Chartered Insurance Institute*

Dato' Tan Ang Meng

Certified Public Accountant

Arunothayam Rajatnam

*Was admitted as an Advocate & Solicitor of Singapore Bar
Chartered Insurance Practitioner
(Chartered Insurance Institute of United Kingdom)*

Company secretary

Choong Shaw Hney

MAICSA 7041114

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-centred **#Outsideln**
- We are technical experts **#KnowYourStuff**
- We are diverse **#MixItUp**
- We are fast-paced **#RamplItUp**
- We are courageous **#DoTheRightThing**
- We are accountable **#OwnItNow**
- We are a team **#Together**

Board of Directors



Dato' Koh Hong Sun

Independent Non-Executive Director

Dato' Koh was appointed as an Independent Non-Executive Director of QBE Insurance (Malaysia) Berhad on April 2011. He holds Master Degree in Strategic & Security Studies from Universiti Kebangsaan Malaysia. Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department. During the period as an officer of the RMP, he has held various important command posts including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department. Dato' Koh is a Director of Mega First Corporation Berhad and Genting Malaysia Berhad which are both listed on Bursa Malaysia.



Ngoi Siew Cheng Adeline

Executive Director

Ngoi Siew Cheng Adeline was appointed as the Executive Director on the Board of QBE Insurance (Malaysia) Berhad in May 2018. She also sits on the board of QBE Seaboard Insurance Philippines Inc.

Being an ex-regulator, Adeline has vast experience in insurance regulations and supervision, particularly in Asia. She joined QBE Asia Regional Office from 2005 and was responsible for the implementation of QBE's risk management strategy and framework as well as overseeing the regulatory and compliance activities in Asia. Since 2014, she has been the Regional Head of Regulatory and Compliance for QBE Asia Pacific Division which encompasses QBE's operations in Asia and the Pacific.

Prior to joining QBE, she was an ex-regulator in Singapore for over 20 years with 2 years stint as its Representative in the London Representative Office. She was also the Chief Executive Officer of the Institute of Banking and Finance (IBF) in Singapore, responsible for spearheading IBF in establishing its new charter as the standards setting body for financial professional competency in the financial sector in Singapore.

Adeline is a Fellow of the UK Chartered Insurance Institute. She is a member of the Nomination Committee of QBE Malaysia.



Dato' Tan Ang Meng

Independent Non-Executive Director

Dato' Tan was appointed as an Independent Non-Executive Director of QBE Insurance (Malaysia) Berhad 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 Mega First Corporation Berhad and Red Sena Berhad (under members' voluntary liquidation), which all are listed on Bursa Malaysia.



Arunothayam Rajaratnam

Independent Non-Executive Director

Ms. Arunothayam Rajaratnam (Aruno), 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.

Central office managers



Christopher Paul Kurinsky MBA, Bachelor of Science in Finance

Chief Executive Officer

Christopher Paul Kurinsky was appointed as the Chief Executive Officer of QBE Insurance (Malaysia) Berhad in August 2017.

Prior to this appointment, Chris was the Head of Sales and Marketing, Consumer Lines in Chubb Insurance China from September 2016, where he was responsible for leading all new consumer lines projects in China in various distribution channels. Chris was also responsible for all aspects of the project including underwriting, product development, distribution channels, marketing and overall P&L responsibility.

Chris previously served General Manager Consumer Lines at Ace Jemeh Insurance Berhad in Kuala Lumpur since May 2014. He was responsible for Ace Jemeh's Consumer Lines success through various distributions, including Direct marketing, Brokerage, Travel, Bancassurance and Agency. Chris has more than 20 years leadership experience in underwriting and distribution including working in various roles in mainland China, Thailand, Singapore, Hong Kong and as well as the United States of America and Latin America.

Chris holds a Master of Business Administration from J.L. Kellogg School of Management and a Bachelor Degree in Science in Finance. Chris is also a proficient speaker/writer of Spanish and has basic Mandarin speaking skills.



William Foo RFP, AMII, B. Management (Hons) Senior Associate CIP (ANZIIF)

Chief Operating Officer

William Foo joined QBE Insurance (Malaysia) Berhad in July 2008 and was appointed as the Chief Operating Officer in April 2014.

William has over 26 years of insurance experience in local and multi-national general insurance companies. He has held various senior management positions in QBE Malaysia.

William oversees the operations of the Company, National Agency channel, Branches and Information Technology. He is also responsible for the successful implementation of Company strategic business plans, branches business performance, agency development, and operational improvement initiatives.

Currently, he is also a member of Persatuan Insuran Am Malaysia (PIAM) Distribution Sub-Committee.



Muhammad Ikram Kamarudin CPA (Aust.), C.A. (M), B. Commerce in Accounting and Finance

Chief Financial Officer

Ikram Kamarudin was appointed as the Chief Financial Officer of QBE Insurance (Malaysia) Berhad in August 2016.

Prior to this appointment, Ikram was the CFO and General Manager of Business Strategy for Hong Leong Islamic Bank from 2013, where he was responsible for the Bank's fiscal operating results, including financial control, regulatory reporting and analysis, capital and balance sheet management and investor relation. He was responsible for driving, strengthening and protecting the financial of the Bank, through the provision of key financial information and analytics, partnering businesses, and meeting the requirements of external stakeholders, whilst ensuring overall financial control and discipline. In this former capacity, he played an instrumental role to oversee key strategic initiatives across the Bank and manages corporate strategy and planning as well as programme management office functions. He works alongside the CEO and senior management in setting the strategic direction of the Bank and supports the execution of key transformational and growth initiatives.

Prior to Hong Leong Bank, Ikram spent over a decade in Sydney with HSBC Bank and Marsh & McLennan Australia in various capacity including Treasury, Group Financial Control, Trust & Securitisation, Risk Management advisory, Regulatory Compliance and Corporate Strategic Planning.

Ikram holds a Bachelor Degree of Commerce, Double Major in Finance and Accounting from The University of Sydney Business School.

He is a qualified Certified Practising Accountant with CPA Australia professional accounting body, and a Chartered Accountant with Malaysian Institute of Accountants.

Ikram actively engaged in the General Insurance Industry associations and contribute through his involvement in Malaysian Motor Insurance Pool (MMIP) as a Council member as well as member of Audit, and Investment Committee. In addition, Ikram also a member of the Finance, Compliance and ERM Sub-committee of Persatuan Insuran Am Malaysia (PIAM).



Nor Azima Binti Abdul B. Management (Hons)

Head, People and Culture

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

Azima has 27 years of experiences in human resource management, 19 years of which are in the insurance sector. Her experience covers a wide range of human resources and leadership expertise; including HR transformation, HR Programs, development of high performance culture, business restructuring 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.

Azima is actively engaged in the General Insurance Industry circles and contribute to the industry through her involvement as Deputy Convener of Education Sub-committee of Persatuan Insuran Am Malaysia (PIAM).



Amar Singh Nihal Singh B. Management (Technology)

Head of Commercial Distribution

Amar Singh joined QBE Insurance (Malaysia) Berhad in February 2015 as the Head of Major Trading Partners and was appointed as the Head of Commercial Distribution in January 2017.

Amar has 20 years of experience in Broking. His current portfolio includes International Brokers (Major Trading Partners), Local brokers (Broking Partners) and Reinsurance Inward. He is accountable for all distribution matters for QBE Malaysia of the commercial segment and plays a major role in helping the company grow the top line. Currently, the Commercial Distribution is the largest business unit in QBE Malaysia.

Amar holds a Bachelor Degree in Management (Technology) from University Technology of Malaysia.



Sunther Kuppan ACII, B. Law & Econ.

Head of Claims

Sunther Kuppan joined QBE Insurance (Malaysia) Berhad in October 2014 as Claims Manager and was appointed as the Head of Claims in January 2017.

Sunther has more than two decades of experience in claims management, loss adjustment, legal matters involving insurance, mediation and resolving complex claims. Besides managing the claims portfolio, he actively participates in risk management, risk improvement strategies and product development.

Sunther leads, directs and is accountable for all claims matters for QBE Malaysia and plays a major role in rolling out key regional and global claims transformation programs to enhance the claim service.

In addition to Bachelor Degrees in Law and Economics, Sunther holds the Associateship of Chartered Insurance Institute (ACII) of United Kingdom.

Central office managers (cont'd)



Zaid Aziz Ibrahim

Bachelor of Science in Economics, Majoring in Actuarial Science and Finance
The Wharton School, University of Pennsylvania, Philadelphia

Head of Underwriting

Zaid Aziz Ibrahim was appointed as the Head of Underwriting of QBE Insurance (Malaysia) Berhad in January 2019.

Zaid's previous tenures were in risk management, insurance broking and reinsurance. He brings with him more than 20 years of industry experience and is focussed on enhancing the company's underwriting expertise to achieve sustainable and profitable growth.

Chairman's statement

On behalf of The Board of Directors, I am pleased to present QBE Insurance (Malaysia) Berhad's Annual Report and Financial Statements for the financial year ended 31 December 2018.

Economic Environment

The Malaysia economy expanded by 4.7% in 2018, whilst inflation averaged at 1.0% compared with 3.7% in 2017, the lowest level since 2009. However, the general insurance industry grew merely by 1.5% in gross written premium (GWP) to RM17.918 billion on the back of a 0.1% contraction in prior year.

2018 Performance

2018 had been an interesting year for QBE Malaysia. The Company registered contraction of 19.9% in gross written premium compared to a growth of 1.4% in 2017. Over time the Brilliant Basics program, launched by the QBE Group to ensure high standards of underwriting, pricing and claims management across all countries and portfolios, is expected to drive a further reduction in claims costs due to improved pricing adequacy, better risk selection and more effective claims management.

Encouragingly, QBE Malaysia reported an underwriting profit before tax (PBT) of RM30.6 million, a growth of 7.3% over 2017's RM28.5 million. The year-on-year growth in profit was due primarily to decrease in claims incurred and higher reinsurance commission income benefited from dynamic initiatives in reinsurance arrangements in 2018.

Asia Remediation Plan

In October 2018, QBE Group announced changes to the group structure in an important step towards further simplifying its operations and building a more streamlined, agile and customer-oriented business. Effective 1 January 2019, QBE Malaysia will be part of the Asia business under the International Division of QBE Insurance Group.

QBE Malaysia regards its employees as one of the most important stakeholder groups as well as the key foundation to profitability and sustainability for the future. QBE Malaysia continues to drive talent development through several programmes in 2018, including Education Assistance programmes, Industry Technical courses and Underwriting Academy Foundation programmes with online modules.

2019 Outlook

The Government has projected gross domestic product (GDP) to expand further at 4.9% in 2019. The industry expects the operating and business climate to be challenging with moderated growth in the general insurance industry.

Significant changes are expected in insurance accounting, with the implementation of International Financial Reporting Standards (IFRS) 17 "Insurance Contracts" which demands a complete revamp of insurers' financial statements. The change programme to implement IFRS 17 will extend beyond the finance and actuarial functions of insurers with impact on data, systems and processes.

Despite the moderate outlook and challenges, I believe with the new divisional structure and strategies in place, QBE Malaysia will further benefit from leveraging underwriting expertise, scale and global capabilities across business divisions to drive the way forward.

Acknowledgements

On behalf of the Board of Directors, I would like to record my sincere gratitude to all valued business partners for their continued support and loyalty over the years. The Board would like to extend its appreciation to the support and commitment from the CEO, senior management team and all employees for their leadership and dedication in striving through a tough year in 2018.

The Board wishes to inform that Mr. Mark Thomas Lingafelter resigned as Executive Director with effect from 15 May 2018 and welcome Mdm. Ngoi Siew Cheng Adeline as the new Executive Director. I would like to thank Mr. Mark Thomas Lingafelter for his dedicated service and commitment during his tenure as Executive Director.

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

Dato' Koh Hong Sun
Chairman

2018 snapshot

Net combined operating ratio (NCOR%)

95.3%

2017 96.8%

Gross written premium

MYR298.4Mil

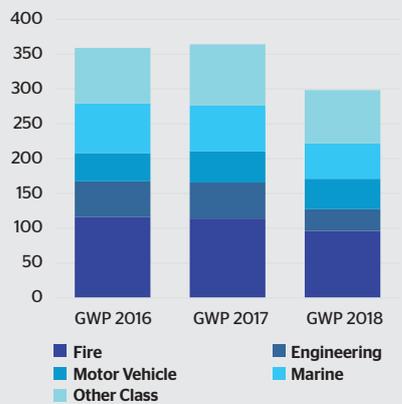
↓ 18.0% from 2017

Net claims ratio (%)

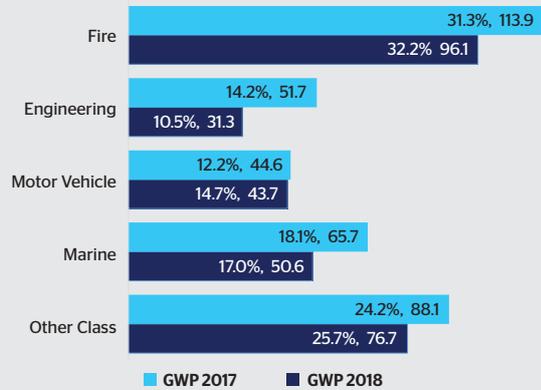
57.7%

2017 55.3%

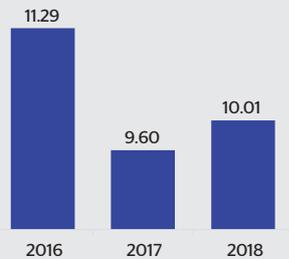
Gross written premium (RM' mil) by class of business



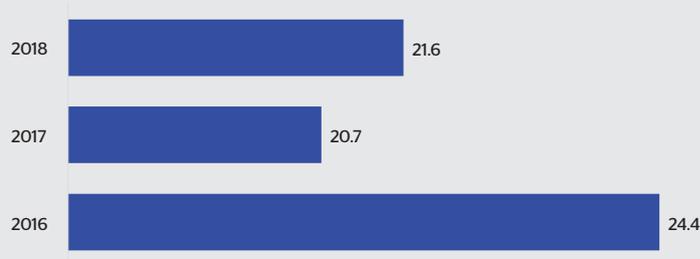
Business portfolio 2018 (RM' mil)



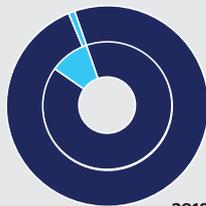
Earnings per share (cents)



Net profit after income tax (RM' mil)



Investment 2018

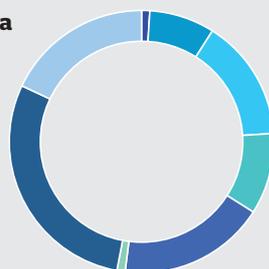


Investment Type	2018 (%)	2017 (%)
Money Market Placement	99%	90%
Government Bonds	1%	10%

Underwriting profit before tax (RM' mil)



Business Across Malaysia



Business Segment	2018 (%)	2017 (%)
MMIP	1%	1%
Southern Agency	8%	7%
Northern Agency	15%	14%
East M'sia Agency	10%	10%
Central Agency	18%	16%
Bancassurance	1%	0%
Brokers	29%	28%
Major Trading Partners	18%	24%

Chief executive officer's statement

QBE Insurance Malaysia recorded a strong financial performance in 2018. This performance is a testament to the strength of the company and the implementation of an effective strategy along with a collaborative underwriting and distribution culture. It is the result of collaborative efforts from every employee in our organization amidst the difficult market conditions. I am optimistic about our ability to deliver into the future as we have set the proper foundation to execute in the coming years.

External Environment

In 2018, the Malaysia economy experienced challenges on several fronts. Malaysia's economy expanded 4.7% in 2018 compared to 3.7% growth in 2017. However, the general insurance industry registered a growth of 1.5% in 2018 with gross written premium of RM17.918 billion. Notwithstanding the challenging external general insurance environment, I am pleased to report QBE Malaysia delivered a strong financial performance in 2018.

2018 Performance

Against the backdrop of low growth and intense competition in the Malaysia insurance sector, QBE Malaysia's GWP contracted by 19.9% to RM291.7 million, while net earned premium decreased by 22.8% to RM226.4 million. A large part of the contraction was due to a slowing of the engineering sector as well as a focused strategy to exit risks that we were not comfortable with.

QBE Malaysia recorded an underwriting profit before tax of RM30.6 million, which was RM2.1 million higher than previous year. This was primarily due to decrease in claims incurred and commission expense. In 2018, we achieved targets for cost reduction, claims efficiency and capital ratio. The earnings per share stood at 10.01 cents for 2018 compared to 9.60 cents in 2017, contributed mainly by the higher reinsurance commission income and investment income.

The net claims incurred ratio increased by 2.4% from 55.3% in 2017 to 57.7% in 2018.

QBE Malaysia recorded statutory Net Combined Operating Ratio (NCOR) of 95.3% in 2018, compared to 96.8% in 2017. The company maintained a sound Capital Adequacy Ratio (CAR) during 2018, exceeding both the Supervisory CAR and the company's own internal capital target as per our Capital Management Plan.

The investment portfolio for 2018 was higher than 2017 by RM75.7 million. QBE Malaysia remains cautious on Malaysian bonds due to the potential for currency volatility and capital outflows. The Company had positioned its investment portfolio to maintain running yield, with the view to capture term premium and an attractive spread on term deposits. In 2018, the investment income was RM20.1 million with an average investment yield of 3.81%. The investment portfolio mix is consistently maintained with 99% in money market placement and 1% in Government bonds during the year.

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 the focus to write risks that provide the organization with an acceptable return. We have instituted a strong underwriting culture within our distribution teams as well as across the organization. Major trading partners led the contraction by 38.9% (mostly contributed from non-renewal business from the prior years), while broking partners and agency business contracted by 16.3% and 10.4% respectively, again led by non-renewal business.

Chief executive officer's statement (cont'd)

Operations

In 2018, we implemented various strategic initiatives to strengthen the agency channel. Recruitment activities resulted in 74 new agents. We also focused on increasing the amount of business with our current agents which solidified our agency relationship.

Our Customer Service team also continued to provide market leading service, reflecting our commitment to further enhance the customer service experience.

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: our customers, our people, potential recruits, our shareholders and investors, the communities in which we do business, and the society at large. This is reflected in our CSR activities in 2018, which focused on underprivileged children, marginalised communities and helping them overcome obstacles to live independent lives.

In June 2018, we had an Iftar session with 100 children and caregivers of Buku Jalanan Chow Kit, working with Food Aid Foundation to prepare the Iftar meal and dispensing Hari Raya cookies, vouchers for Hari Raya shoes to the children and learning materials for the centre.

In November 2018, we entered into the fourth year of supporting the Paediatrik Unit of Hospital Kuala Lumpur, where our employees joined forces with QBE Foundation through The Wish Tree program - buying items requested by the patients/their families and presenting to them at an event at the Paediatrik Institute, Hospital Kuala Lumpur. QBE Foundation also contributed medical equipment to the patients.

In December 2018 we had 2 events, one of which was a fund raiser for the National Autistic Society of Malaysia. We raised funds by screening "Redha", a movie about an autistic child and his family's journey as they deal with managing him and societal challenges. This movie created awareness about autism and was screened at the National Museum Auditorium.

We closed off the year with Grace Community Services (GCS) to purchase and pack dry goods for 300 underprivileged families, in preparation for the Christmas holidays.

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 2018, QBE Malaysia records:

- Completion of the globally organised Underwriting Academy for our Underwriting and Distribution employees
- Completion of ASCENT Leadership Programme for Managers
- Organised an in-house education programme and sponsored 14 employees to pursue insurance professional qualification, AMII Level 1 and AMII Level 2
- Completion of a team-building workshop that embedded the QBE DNA values for employees and heightened the collaboration within and across teams

Employee Engagement

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

- The monthly and quarterly newsletter on QBE Malaysia employees' voice and success stories of collaboration and teamwork have improved employee engagement.
- 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 the Company's direction and encourage knowledge sharing across all levels to meet global objectives.
- Through Diversity and Inclusion initiatives, the Company celebrated festivals of all races, International Women's Day and International Day for Person with Disabilities - all successful events with high participation rates and employee engagement.

In closing, I am pleased with the progress we have made against our strategic objectives for 2018, which is reflected in our improved financial performance for the year.

Today, QBE Malaysia is stronger strategically, operationally and financially. I am optimistic of what the future holds for QBE Malaysia in 2019 and beyond.

Christopher Paul Kurinsky
Chief Executive Officer

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Directors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018.

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 21,619,578

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.

Directors' report (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Other Statutory Information (continued)

- (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 2018 and six meetings have been scheduled for the year 2019, 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 18 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), Dato' Koh Hong Sun and Arunothayam Rajaratnam.

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), Dato' Koh Hong Sun, Arunothayam Rajaratnam and Ngoi Siew Cheng Adeline. 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 Arunothayam Rajaratnam (Chairman), Dato' Koh Hong Sun and 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 and Capital Committee

The Risk & Capital Committee comprises three independent non-executive directors. The current members of the Risk & Capital Committee are Arunothayam Rajaratnam (Chairman), Dato' Koh Hong Sun and 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.

Directors' report (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Corporate Governance (continued)

(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

Number of meetings held during the year	Full meeting	Meetings of Committees			Risk
	of directors	Audit	Nomination	Remuneration	& Capital
	Number Attended	Number Attended	Number Attended	Number Attended	Number Attended
	6	6	3	3	6
Dato' Koh Hong Sun	6	6	3	3	6
Dato' Tan Ang Meng	6	6	3	3	6
Arunothayam Rajaratnam	6	6	3	3	6
Ngoi Siew Cheng Adeline (Appointed on 15 May 2018)	4	5	2	1	4
Mark Thomas Lingafelter (Resigned on 15 May 2018)	2	1	1	2	2

Directors and their Interests in Shares

- (a) The Directors who have held office since the date of the last report are as follows:
 Dato' Koh Hong Sun
 Dato' Tan Ang Meng
 Arunothayam Rajaratnam
 Ngoi Siew Cheng Adeline (Appointed on 15 May 2018)
 Mark Thomas Lingafelter (Resigned on 15 May 2018)
- (b) In accordance with Regulation 63 of the Company's Constitution, Dato' Tan Ang Meng retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.
- (c) In accordance with Regulation 68 of the Company's Constitution, Ngoi Siew Cheng Adeline who was appointed during the financial year, retires at the forthcoming Annual General Meeting and being eligible, offers herself for re-election.
- (d) According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interest 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	--- Number of Ordinary Shares of A\$1 each ---			
	At 1.1.2018 / At date of appointment	Acquired	Extinguished	At 31.12.2018
Ngoi Siew Cheng Adeline	4,001	3,755	-	7,756

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

Ngoi Siew Cheng Adeline	--- Number of rights over Ordinary Shares of A\$1 each ---			
	At 1.1.2018 / At date of appointment	Granted	Extinguished	At 31.12.2018
Ngoi Siew Cheng Adeline	4,664	26	(3,571)	1,119

- (e) 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' Remuneration

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

Indemnity to Directors and Officers

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM17,773.

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 17 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 16 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 11 February 2019. Signed on behalf of the Board of Directors:



Dato' Koh Hong Sun
Director

Petaling Jaya



Ngoi Siew Cheng Adeline
Director

Statement by directors

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

We, Dato' Koh Hong Sun and Ngoi Siew Cheng Adeline, 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 23 to 59 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and financial performance of the Company for the financial year ended 31 December 2018 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 11 February 2019.



Dato' Koh Hong Sun
Director

Petaling Jaya

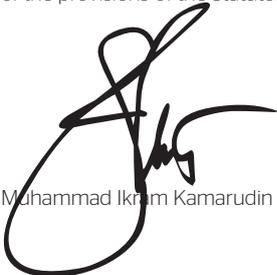


Ngoi Siew Cheng Adeline
Director

Statutory declaration

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

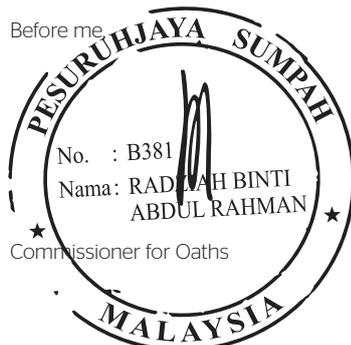
I, Muhammad Ikram Kamarudin, the officer primarily responsible for the financial management of QBE Insurance (Malaysia) Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 23 to 59 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Muhammad Ikram Kamarudin

Subscribed and solemnly declared by the above named Muhammad Ikram Kamarudin at Selangor Darul Ehsan on 11 February 2019.

Before me,



Alamat tempat perniagaan
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)

(Company No. 161086-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSOur 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 2018, 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 2018, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 59.

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' Code of Ethics for Professional Accountants ("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 Directors' Report, which we obtained prior to the date of this auditors' report, and Chairman'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, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

QBE Insurance (Malaysia) Berhad (continued)

(Incorporated in Malaysia)

(Company No. 161086-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)Auditors' responsibilities for the audit of the financial statements (continued)

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the 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 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 members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PricewaterhouseCoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
11 February 2019



Wong Hui Chern
03252/05/2020 J
Chartered Accountant

Statement of financial position

AS AT 31 DECEMBER 2018

	NOTE	2018 RM	2017 RM
Assets			
Property, plant and equipment	3	8,934,107	9,421,410
Intangible assets	4	3,810,275	5,817,726
Investments	5	497,636,145	421,886,568
Fair value through profit or loss		7,072,656	46,445,835
Loans and receivables		490,563,489	375,440,733
Reinsurance assets	10	90,729,018	144,471,705
Insurance receivables	6	95,144,897	136,388,855
Other receivables	7	61,964,391	66,492,236
Deferred tax asset	11	5,218,828	2,816,798
Tax recoverable		-	1,003,050
Cash and bank balances		8,637,281	267,604
Total assets		772,074,942	788,565,952
Liabilities			
Insurance contract liabilities	10	451,592,214	554,210,783
Insurance payables	12	34,277,393	30,219,276
Tax payable		1,868,503	-
Other payables	13	84,393,393	25,812,032
Total liabilities		572,131,503	610,242,091
Shareholders' equity			
Share capital	8	108,000,000	108,000,000
Retained earnings	9	91,943,439	70,323,861
		199,943,439	178,323,861
Total liabilities and shareholders' equity		772,074,942	788,565,952

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

Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RM	2017 RM
Gross earned premiums	14(a)	335,797,536	360,197,790
Premium ceded to reinsurers	14(b)	(109,422,153)	(67,039,994)
Net earned premiums		226,375,383	293,157,796
Investment income	15	20,086,887	18,845,720
Gain/(loss) on disposal of property, plant and equipment		9,273	(81,692)
Gain/(loss) on disposal of investment		364,100	(324,200)
Unrealised (loss)/gain on investments	5	(348,690)	681,350
Reinsurance commission income		21,711,914	7,522,084
Other operating expense		(39,072)	(79,266)
Total revenue		268,159,795	319,721,792
Gross claims paid		(199,267,453)	(158,919,210)
Claims recoveries from reinsurers		61,808,662	18,680,403
Gross charge to claims liabilities		58,533,793	(136,946,788)
Charge in claims liabilities ceded to reinsurers		(51,793,941)	115,086,902
Net claims		(130,718,939)	(162,098,693)
Fee and commission expense		(48,838,211)	(65,189,756)
Management expenses	16	(58,010,729)	(63,901,209)
Other expenses		(106,848,940)	(129,090,965)
Profit before taxation		30,591,916	28,532,134
Taxation	18	(8,972,338)	(7,801,150)
Net profit and total comprehensive income for the year		21,619,578	20,730,984
Earnings per share (sen)	19	10.01	9.60

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

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	SHARE CAPITAL RM	DISTRIBUTABLE RETAINED EARNINGS RM	TOTAL RM
At 1 January 2017		108,000,000	69,097,395	177,097,395
Total comprehensive income for the financial year		-	20,730,984	20,730,984
Dividend paid	20	-	(19,504,518)	(19,504,518)
At 31 December 2017		108,000,000	70,323,861	178,323,861
At 1 January 2018		108,000,000	70,323,861	178,323,861
Total comprehensive income for the financial year		-	21,619,578	21,619,578
At 31 December 2018		108,000,000	91,943,439	199,943,439

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

Cash flow statement

For the financial year ended 31 December 2018

	2018 RM	2017 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the financial year	21,619,578	20,730,984
Adjustments for:		
Depreciation on property, plant and equipment	1,674,821	1,611,167
Amortisation of intangible assets	2,007,451	1,738,910
Reversal of impairment loss on self-occupied properties	-	(5,032)
(Gain)/loss on disposal of property, plant and equipment	(9,273)	81,692
(Gain)/loss on disposal of investments	(364,100)	324,200
Unrealised loss/(gain) on investments	348,690	(681,350)
Allowance of impairment on insurance receivables	382,552	750,134
Interest income	(20,086,887)	(18,845,720)
Taxation	8,972,338	7,801,150
Profit from operations before changes in operating assets and liabilities	14,545,170	13,506,135
Proceeds from disposal of FVTPL investments	39,269,100	80,216,000
Purchase of FVTPL investments	-	(25,909,000)
Increase in LAR investments	(113,000,000)	(73,000,000)
(Decrease)/increase in premium liabilities	(42,136,030)	8,622,784
(Decrease)/increase in claims liabilities	(6,739,852)	21,859,886
Decrease/(increase) in insurance receivables	40,861,406	(9,440,376)
Increase in other receivables	4,527,845	1,976,486
Increase/(decrease) in insurance payables	4,058,117	(6,604,439)
Increase in other payables	58,581,361	672,936
Income taxes paid	(8,502,815)	(8,363,894)
Interest income received	18,083,620	19,249,898
Net cash generated from operating activities	9,547,922	22,786,416
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	114,000	51,408
Purchase of property, plant and equipment	(1,292,245)	(1,239,606)
Purchase of intangible assets	-	(2,036,495)
Net cash used in investing activities	(1,178,245)	(3,224,693)
CASH FLOW FROM FINANCING ACTIVITY		
Dividend paid	-	(19,504,518)
Net cash used in financing activity	-	(19,504,518)
Net movement in cash and cash equivalents	8,369,677	57,205
Cash and cash equivalents at 1 January	267,604	210,399
Cash and cash equivalents at 31 December	8,637,281	267,604

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on 1 January 2018. The Company has applied the following new standards and amendments to standards and interpretations for the current financial year:

- MFRS 15 'Revenue from Contracts with Customers'

MFRS 15 replaces the guidance in MFRS 111 'Construction Contracts', MFRS 118 'Revenue', IC Interpretation 13 'Customer Loyalty Programmes', IC Interpretation 15 'Agreements for Construction of Real Estate', IC Interpretation 18 'Transfers of Assets from Customers' and IC Interpretation 131 'Revenue - Barter Transactions Involving Advertising Services'. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risk and rewards.

The adoption of these amendments does not have any material impact on the current period or any prior period financial statements of the Company as the Company's main source of revenue stream is arising from insurance contracts and investment related revenues that are scoped out of the Standard.

- Amendments to MFRS 4 - Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2018).

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 2021 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 2021.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.1 Basis of Preparation (continued)

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

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 December 2018	Change in fair value	Cash flows characteristic
Financial assets	RM	RM	
Investments (Note 5)			
- Malaysian Government Securities	7,072,656	348,690	SPPI
- Deposits with financial institutions	490,563,489	-	SPPI
Other receivables	61,874,431	-	SPPI
Cash and bank balances	8,637,281	-	SPPI
Total financial assets	568,147,857	348,690	

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

Other than the financial assets included in the table above and assets that are within the scope of MFRS 17, Insurance Contract, 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.

Financial assets with SPPI cash flows

All financial assets with SPPI cash flows of the Company as at 31 December 2018 have low credit risk and is disclosed in Note 25 in the Financial Statements.

- 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 is currently assessing the financial impact that may arise from the adoption of MFRS 9 and intends to adopt MFRS 9 together with MFRS 17 on 1 January 2021.

(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 2018. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at the reporting date, the Company has non-cancellable operating lease commitments of RM2,305,413, refer to Note 21. The Company expects to recognise right-of-use assets of approximately RM2,166,377 on 1 January 2019, lease liabilities of RM2,166,377 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net assets will not be impacted, and net current assets will be RM1,130,047 lower due to the presentation of a portion of the liability as a current liability.

- MFRS 17 'Insurance Contracts' (effective from 1 January 2021) 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:

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

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

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The International Accounting Standards Board has tentatively proposed to amend the effective date of IFRS 17 'Insurance Contracts' to 1 January 2022.

The Company has not fully assessed the impact of MFRS 17 on its financial statements.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' effective 1 January 2019.

IC Interpretation 23 'Uncertainty over Income Tax Treatments' provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

The Company is in the process of assessing the financial impact of this standard onto their 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)

- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) effective 1 January 2020.

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

The Company is in the process of assessing the financial impact of this standard onto their financial statements.

- The Conceptual Framework for Financial Reporting ("Framework") effective 1 January 2020.

The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.

- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.
- Clarification on reporting entity for financial reporting- introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided.
- Presentation and disclosure - clarification that statement of profit or loss (P&L) is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to P&L is required if this results in more relevant information or a more faithful representation of P&L.

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards (Amendments), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies. The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

The Company is in the process of assessing the financial impact of this standard onto their financial statements.

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment

Property, 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 statement of comprehensive income during the financial year in which they are incurred.

Leasehold building is amortised in equal instalments over the period of lease of 72.59 years. Depreciation on other property, 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 Vehicles	5 years
EDP Equipment	3 - 5 years
Office Equipment	4 - 10 years
Furniture & Fittings	2 - 10 years
Renovations	2 - 5 years
Freehold Building	50 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 (c) 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 statement of comprehensive income.

(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 3 to 10 years on a straight-line basis, with the useful lives being reviewed annually.

(c) 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 statement of comprehensive income 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 statement of comprehensive income.

(d) Investments and Other Financial Assets

The Company classifies its investments into financial assets as fair value through profit or loss ("FVTPL") and loans and other receivables ("LAR").

FVTPL

The Company classifies its securities portfolio, comprising Malaysian Government Securities and Treasury Bills which are held-for-trading, as FVTPL. Securities are classified as FVTPL if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. FVTPL securities measured at fair value and any gain or loss arising from a change in the fair value is recognised in the statement of comprehensive income.

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 statement of comprehensive income 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 and FVTPL 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.

(e) 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(e) Fair Value of Financial Instruments (continued)

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.

(f) 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 statement of comprehensive income.

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 statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(g) 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.

(h) 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.

(i) 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 statement of comprehensive income 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.

(j) 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 statement of comprehensive income 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(j) Reinsurance (continued)

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 statement of comprehensive income.

(k) 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 statement of comprehensive income. 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.

(l) Other receivables from 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.

(m) 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 data 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 statement of comprehensive income by setting up a provision for liability adequacy.

(n) 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 statement of comprehensive income on investments include gains and losses on financial assets and investment properties. Gain 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.

(o) 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.

(p) Income Tax

Income tax on the statement of comprehensive income 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 statement of comprehensive income 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.

(q) 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.

(r) 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income.

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

(s) 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 statement of comprehensive income.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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.

3. Property, plant and equipment

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	LEASEHOLD BUILDING RM	TOTAL RM
Net book value							
At 1 January 2018	265,679	1,167,227	463,706	1,206,281	794,849	5,523,668	9,421,410
Additions	356,757	820,002	104,221	4,600	6,665	-	1,292,245
Disposals	(100,028)	-	(1,926)	-	-	-	(101,954)
Written off	-	-	(2,773)	-	-	-	(2,773)
(Additional)/ Reversal of impairment loss	-	-	-	-	-	-	-
Depreciation	(152,688)	(863,306)	(122,955)	(194,063)	(266,751)	(75,058)	(1,674,821)
At 31 December 2018	369,720	1,123,923	440,273	1,016,818	534,763	5,448,610	8,934,107
At 31 December 2018							
Cost	704,009	4,883,185	1,616,306	2,095,875	2,440,132	6,587,782	18,327,289
Accumulated impairment loss	-	-	-	-	-	-	-
Accumulated depreciation	(334,289)	(3,759,262)	(1,176,033)	(1,079,057)	(1,905,369)	(1,139,172)	(9,393,182)
Net Book Value	369,720	1,123,923	440,273	1,016,818	534,763	5,448,610	8,934,107

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	LEASEHOLD BUILDING RM	TOTAL RM
Net book value							
At 1 January 2017	455,531	1,767,703	422,340	1,065,425	616,206	5,593,834	9,921,039
Additions	-	294,801	184,007	324,979	435,819	-	1,239,606
Disposals	(65,723)	-	-	-	-	-	(65,723)
Written off	-	-	(27,709)	(14,728)	(24,940)	-	(67,377)
(Additional)/ Reversal of impairment loss	-	-	-	-	-	5,032	5,032
Depreciation	(124,129)	(895,277)	(114,932)	(169,395)	(232,236)	(75,198)	(1,611,167)
At 31 December 2017	265,679	1,167,227	463,706	1,206,281	794,849	5,523,668	9,421,410
At 31 December 2017							
Cost	703,252	4,283,520	1,534,278	2,102,503	2,433,467	6,587,782	17,644,802
Accumulated impairment loss	-	-	-	-	-	-	-
Accumulated depreciation	(437,573)	(3,116,293)	(1,070,572)	(896,222)	(1,638,618)	(1,064,114)	(8,223,392)
Net Book Value	265,679	1,167,227	463,706	1,206,281	794,849	5,523,668	9,421,410

Notes to the financial statements (continued)

4. Intangible Assets

	2018 RM	2017 RM
Cost		
At 1 January	10,268,329	8,234,734
Addition	-	2,036,495
Write off	(32,478)	(2,900)
At 31 December	10,235,851	10,268,329
Accumulated amortisation		
At 1 January	4,450,603	2,714,593
Amortisation during the financial year	2,007,451	1,738,910
Write off	(32,478)	(2,900)
At 31 December	6,425,576	4,450,603
Net book value		
At 31 December	3,810,275	5,817,726

The Company had reclassified certain Property, Plant and Equipment that met the definition of intangible assets to Intangible Assets. The comparative were duly reclassified to conform with the current financial year's presentation.

5. Investments

	2018 RM	2017 RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	7,006,510	46,260,200
Accrued interest	66,146	185,635
	7,072,656	46,445,835
Loan and receivables ("LAR")	481,000,000	368,000,000
Accrued interest	9,563,489	7,440,733
	490,563,489	375,440,733
Total investments	497,636,145	421,886,568
The following investments mature after 12 months:		
FVTPL	7,072,656	46,445,835
The following investments mature within 12 months:		
LAR	490,563,489	375,440,733

(a) FVTPL

	2018 RM	2017 RM
Fair value		
Malaysian Government Securities	7,006,510	46,260,200
Accrued interest	66,146	185,635
Total investment at FVTPL	7,072,656	46,445,835

(b) LAR

	2018 RM	2017 RM
Amortised cost		
Deposits with financial institutions	481,000,000	368,000,000
Accrued interest	9,563,489	7,440,733
Total investments at LAR	490,563,489	375,440,733

The carrying value of investments in LAR as at 31 December 2018 (31 December 2017) approximates their fair value.

(c) Carrying Value of Financial Instruments

	FVTPL RM	LAR RM	TOTAL RM
At 1 January 2017	100,973,717	302,266,879	403,240,596
Purchases/deposits	25,909,000	509,500,000	535,409,000
Maturities	-	(436,500,000)	(436,500,000)
Disposals	(80,540,200)	-	(80,540,200)
Unrealised loss recorded in profit or loss	681,350	-	681,350
Movement in accrued interest	(578,032)	173,854	(404,178)
At 31 December 2017	46,445,835	375,440,733	421,886,568
Purchases/deposits	-	731,000,000	731,000,000
Maturities	-	(618,000,000)	(618,000,000)
Disposals	(38,905,000)	-	(38,905,000)
Unrealised gain recorded in profit or loss	(348,690)	-	(348,690)
Movement in accrued interest	(119,489)	2,122,756	2,003,267
At 31 December 2018	7,072,656	490,563,489	497,636,145

(d) Fair Value of Financial Instruments

The following table shows financial instruments recorded at fair value analysed as follows:-

	FVTPL RM
2018	
Level 2 - Valuation techniques - market observable input	7,072,656
2017	
Level 2 - Valuation techniques - market observable input	46,445,835

Financial instruments, which are under Level 2 of the fair value hierarchy are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes.

6. Insurance receivables

	2018 RM	2017 RM
Due premiums including agents/brokers and co-insurers balances	76,511,245	105,242,116
Due from reinsurers and cedants	21,065,971	33,196,506
Allowance for impairment	97,577,216 (2,432,319)	138,438,622 (2,049,767)
	95,144,897	136,388,855
Receivable within 12 months	95,144,897	136,388,855
Financial assets	2018 RM	2017 RM
Gross amount of recognised financial assets, net of allowance for impairment	107,968,103	155,265,511
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 12)	(12,823,206)	(18,876,656)
Net amounts of financial assets presented in the statement of financial position	95,144,897	136,388,855

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 2018 (31 December 2017: Nil). The carrying amount of insurance receivables as at 31 December 2018 (31 December 2017) approximates their fair values.

Notes to the financial statements (continued)

7. Other receivables

	2018 RM	2017 RM
Malaysian Motor Insurance Pool ("MMIP")		
- Cash calls made	21,859,477	25,359,477
- Other assets held in MMIP	31,908,529	34,905,769
	53,768,006	60,265,246
Amount due from related companies	1,839,529	196,252
Other receivables	6,356,856	6,030,738
	61,964,391	66,492,236
Receivable within 12 months	60,298,389	64,822,836

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

MMIP as at 31 December 2018 is a net receivable of RM15,943,495 (2017: net receivable of RM12,694,548) after setting off the amount receivable from MMIP against the Company's share of MMIP's claims and premium liabilities amounting RM40,454,511 (2017: RM46,525,697) included in Insurance Contract Liabilities (Note 10) to the financial statements.

8. Share capital

	2018 AUDITED		2017 AUDITED	
	NO OF SHARES	RM	NO OF SHARES	RM
Issued and fully paid share capital				
At 1 January/31 December -				
Ordinary shares at no par value	216,000,000	108,000,000	216,000,000	108,000,000

9. 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.

10. Insurance contract liabilities

	GROSS RM	REINSURANCE RM	NET RM
At 31 December 2018			
Provision for outstanding claims	268,520,063	(81,546,496)	186,973,567
Provision for incurred but not reported claims ("IBNR")	50,873,968	(2,372,970)	48,500,998
Claims liabilities (i)	319,394,031	(83,919,466)	235,474,565
Premium liabilities (ii)	132,198,183	(6,809,552)	125,388,631
	451,592,214	(90,729,018)	360,863,196
At 31 December 2017			
Provision for outstanding claims	324,369,684	(131,090,494)	193,279,190
Provision for incurred but not reported claims ("IBNR")	53,558,139	(4,622,912)	48,935,227
Claims liabilities (i)	377,927,823	(135,713,406)	242,214,417
Premium liabilities (ii)	176,282,960	(8,758,299)	167,524,661
	554,210,783	(144,471,705)	409,739,078

	2018 RM	2017 RM
Gross:		
Current	341,413,112	436,228,895
Non current	110,179,102	117,981,888
	451,592,214	554,210,783
Reinsurance:		
Current	(66,797,637)	(115,260,643)
Non current	(23,931,381)	(29,211,062)
	(90,729,018)	(144,471,705)
Net:		
Current	274,615,475	320,968,252
Non current	86,247,721	88,770,826
	360,863,196	409,739,078

	GROSS RM	2018 REINSURANCE RM	NET RM
(i) Claims liabilities			
At 1 January	377,927,823	(135,713,406)	242,214,417
Claims incurred in the current accident year	201,374,779	(42,196,457)	159,178,322
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	3,541,828	(9,170,031)	(5,628,203)
Other claims experience movements to claims incurred	(64,182,946)	41,351,766	(22,831,180)
Claims paid during the financial year	(199,267,453)	61,808,662	(137,458,791)
At 31 December	319,394,031	(83,919,466)	235,474,565
(ii) Premium liabilities			
At 1 January	176,282,960	(8,758,299)	167,524,661
Premium written in the financial year	291,712,759	(107,473,406)	184,239,353
Premium earned during the financial year	(335,797,536)	109,422,153	(226,375,383)
At 31 December	132,198,183	(6,809,552)	125,388,631

	GROSS RM	2017 REINSURANCE RM	NET RM
(i) Claims liabilities			
At 1 January	240,981,035	(20,626,504)	220,354,531
Claims incurred in the current accident year	318,069,422	(135,171,244)	182,898,178
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	(8,721,500)	1,825,460	(6,896,040)
Other claims experience movements to claims incurred	(13,481,924)	(421,521)	(13,903,445)
Claims paid during the financial year	(158,919,210)	18,680,403	(140,238,807)
At 31 December	377,927,823	(135,713,406)	242,214,417
(ii) Premium liabilities			
At 1 January	172,422,891	(13,521,014)	158,901,877
Premium written in the financial year	364,057,859	(62,277,279)	301,780,580
Premium earned during the financial year	(360,197,790)	67,039,994	(293,157,796)
At 31 December	176,282,960	(8,758,299)	167,524,661

Notes to the financial statements (continued)

11. 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:

	2018 RM	2017 RM
As at 1 January	2,816,798	2,654,435
Recognised in income statement (note 18)	2,402,030	162,363
As at 31 December	5,218,828	2,816,798

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

	AT 1 JANUARY RM	(CHARGED)/ CREDITED RM	AT 31 DECEMBER RM
2018			
Recognised in income statement:			
Excess of capital allowance over depreciation	(1,135,436)	504,882	(630,554)
Impairment loss on insurance receivables	491,944	91,812	583,756
Premium liabilities	1,740,523	(538,610)	1,201,913
Employee benefits accrued	1,227,425	(354,172)	873,253
Other provisions	578,430	2,614,432	3,192,862
Fair value changes of FVTPL investments	(86,088)	83,686	(2,402)
	2,816,798	2,402,030	5,218,828
2017			
Recognised in income statement:			
Excess of capital allowance over depreciation	(1,582,251)	446,815	(1,135,436)
Impairment loss on insurance receivables	311,910	180,034	491,944
Premium liabilities	1,925,610	(185,087)	1,740,523
Employee benefits accrued	1,340,136	(112,711)	1,227,425
Other provisions	581,594	(3,164)	578,430
Fair value changes of FVTPL investments	77,436	(163,524)	(86,088)
	2,654,435	162,363	2,816,798

12. Insurance payables

	2018 RM	2017 RM
Due to agents and intermediaries	13,379,525	12,528,043
Due to reinsurers and cedants	20,819,352	17,612,717
Deposits received from reinsurers	78,516	78,516
	34,277,393	30,219,276
Payable within 12 months	34,277,393	30,219,276

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

	2018 RM	2017 RM
Gross amounts of recognised financial liabilities	47,100,599	49,095,932
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 6)	(12,823,206)	(18,876,656)
Net amounts of financial liabilities presented in the statement of financial position	34,277,393	30,219,276

As disclosed in Note 6 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 2018 (31 December 2017: Nil).

13. Other payables

	2018 RM	2017 RM
Payroll liabilities	4,138,158	5,904,754
Duties and other taxes payable	156,871	67,970
Other liabilities	7,060,204	3,175,314
Cash call	60,140,894	-
Accrual for Head Office Charges (note 16)	10,333,008	14,096,000
Provision for profit commission	2,564,258	2,567,994
	84,393,393	25,812,032

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:

	2018 RM	2017 RM
At 1 January	2,567,994	2,580,000
Profit commission paid	(2,618,642)	(2,447,848)
Under/(over) Provision in prior financial year	50,648	(132,152)
Current financial year	2,564,258	2,567,994
At 31 December	2,564,258	2,567,994

14. Net earned premiums

	2018 RM	2017 RM
(a) Gross earned premiums		
Written premium	291,712,759	364,057,859
Change in premium liabilities	44,084,777	(3,860,069)
	335,797,536	360,197,790
(b) Premiums ceded		
Ceded premium	(107,473,406)	(62,277,279)
Change in premium liabilities	(1,948,747)	(4,762,715)
	(109,422,153)	(67,039,994)
Net earned premiums	226,375,383	293,157,796

Notes to the financial statements (continued)

15. Investment income

	2018 RM	2017 RM
FVTPL investment		
Interest income	539,255	2,631,095
LAR investments		
Interest income	17,271,521	13,138,063
Investment income - MMIP	2,276,111	3,076,562
	20,086,887	18,845,720

16. Management expenses

	2018 RM	2017 RM
Staff salaries and bonus	21,862,840	24,856,608
Defined contribution plans	2,979,494	3,295,155
Other employee benefits	1,507,309	2,017,969
Staff costs	26,349,643	30,169,732
Non-Executive Directors:		
Fees	240,000	216,000
Others	18,000	13,500
Directors' remuneration	258,000	229,500
Depreciation of property, plant and equipment	1,674,821	1,611,167
Amortisation of intangible assets	2,007,451	1,738,910
Auditors' remuneration	266,357	220,996
Hire of equipment	60,970	66,250
Office rental	967,977	947,366
EDP expenses	3,231,187	3,405,245
Communication expenses	584,123	347,989
Travelling expenses	1,420,142	1,485,161
Bad and doubtful debts:		
Allowance of impairment on insurance receivables	382,552	750,134
Bad debts recoveries	(1,237)	(31,073)
Bad debts written off	83,611	56,161
Head office expenses	8,891,786	14,096,000
Other expenses	11,833,346	8,807,671
	31,403,086	33,501,977
Total Expenses	58,010,729	63,901,209

Included in staff costs are benefits-in-kind attributable to the Company's Chief Executive Officer amounted to RM1,311,192 (2017: RM2,664,634).

17. 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 16 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
2018						
<u>Chief Executive Officer</u>						
Christopher Paul Kurinsky	-	848,005	34,151	158,541	270,495	1,311,192
<u>Non-Executive Directors</u>						
Dato' Koh Hong Sun	96,000	-	-	6,000	-	102,000
Arunothayam Rajaratnam	72,000	-	-	6,000	-	78,000
Dato' Tan Ang Meng	72,000	-	-	6,000	-	78,000
	240,000	848,005	34,151	176,541	270,495	1,569,192

	FEE RM	SALARY RM	BONUS RM	OTHERS RM	BENEFIT-IN -KIND RM	TOTAL RM
2017						
<u>Chief Executive Officer</u>						
Christopher Paul Kurinsky	-	631,694	1,081,279	168,811	15,630	1,897,414
Leonardo Zanolini	-	473,467	-	165,925	127,828	767,220
<u>Non-Executive Directors</u>						
Dato' Koh Hong Sun	84,000	-	-	4,500	-	88,500
Arunothayam Rajaratnam	66,000	-	-	4,500	-	70,500
Dato' Tan Ang Meng	66,000	-	-	4,500	-	70,500
	216,000	1,105,161	1,081,279	348,236	143,458	2,894,134

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

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

	2018 RM	2017 RM
Salary and other remuneration	3,329,359	3,217,781
Benefits-in-kind	53,842	72,077
	3,383,201	3,289,858
Number of officers		
	2018	2017
Salary and other remuneration	7	7
Benefits-in-kind	7	7

Notes to the financial statements (continued)

18. Income tax expense

	2018 RM	2017 RM
Current tax	11,374,368	7,963,513
Deferred tax	(2,402,030)	(162,363)
Tax expense	8,972,338	7,801,150
<u>Current tax</u>		
Current year	7,685,242	8,226,189
Under/(over) provision in prior financial years	3,689,126	(262,676)
	11,374,368	7,963,513
<u>Deferred tax</u>		
Origination and reversal of temporary differences	1,191,300	(122,416)
Over provision in prior financial years	(3,593,330)	(39,947)
	(2,402,030)	(162,363)
	8,972,338	7,801,150
Reconciliation of prima facie tax to income tax expenses:		
Profit before tax	30,591,916	28,532,134
Tax calculated at the Malaysian Tax rate of 24%	7,342,060	6,847,712
Tax effect of:		
Non-deductible expenses	907,739	1,193,893
Non-deductible foreign reinsurance expenses	1,193,417	642,139
Non-taxable income	(566,674)	(579,971)
Under/(over) provision in prior financial years	95,796	(302,623)
Income tax expense attributable to profit	8,972,338	7,801,150

19. Earnings per share

The earnings per ordinary share has been calculated based on the net profit for the financial year of RM21,619,578 (2017: RM20,730,984) and on the weighted average number of ordinary shares in issue during the financial year of 216,000,000 (2017: 216,000,000).

20. Dividend

No dividend was paid during the financial year (2017: RM19,504,518) and the Directors have not recommended any final dividend to be paid for the financial year under review.

21. Non-cancellable operating lease commitments

	FUTURE MINIMUM LEASE PAYMENTS	
	2018 RM	2017 RM
Not later than 1 year	1,098,388	1,237,516
Later than 1 year and not later than 5 years	1,207,025	582,372
	2,305,413	1,819,888

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 Hong Kong)	Immediate holding company
QBE Insurance (Australia) Limited (Incorporated in Australia)	Subsidiary of ultimate holding company
QBE Group Services Pty Ltd - Hong Kong Branch (Incorporated in Australia)	Subsidiary of ultimate holding company
Equator Reinsurances Limited (Incorporated in Bermuda)	Subsidiary of penultimate holding company
QBE Insurance (International) Pty Ltd (Incorporated in Australia)	Subsidiary of penultimate holding company
QBE Insurance (Europe) Limited (Incorporated in London)	Subsidiary of penultimate holding company
QBE Marine & Energy Services Pte Limited (Incorporated in Singapore)	Subsidiary of penultimate holding company
QBE Underwriting Limited (Incorporated in London)	Subsidiary of penultimate holding company
QBE European Operations plc (Incorporate in London)	Subsidiary of penultimate holding company
QBE Insurance (Singapore) Pte Ltd (Incorporated in Singapore)	Subsidiary of immediate holding company
QBE Hongkong & Shanghai Insurance Limited (Incorporated in Hong Kong)	Subsidiary of immediate holding company
PT QBE General Insurance Limited (Incorporated in Indonesia)	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:

	2018 RM	2017 RM
Business transactions with subsidiaries of ultimate holding:		
Head Office Charges	(10,333,008)	(14,096,000)
Reinsurance claims recoveries	378,120	5,355,803
Reinsurance premium ceded	(3,459,752)	(5,840,482)
Reinsurance commission earned	1,040,513	1,739,430
Business transactions with subsidiaries of penultimate holding:		
Reinsurance claims recoveries	56,605,268	9,482,576
Reinsurance premium ceded	(93,887,594)	(42,640,530)
Reinsurance commission earned	18,732,926	2,498,735
Business transactions with subsidiaries of immediate holding:		
Reinsurance premium ceded	-	(43,322)
Reinsurance commission earned	-	11,992
Reinsurance premium refund	-	500,774
Reinsurance commission expenses	-	(177,865)

Notes to the financial statements (continued)

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

	2018 RM	2017 RM
Amount due from related companies:		
Insurance receivables	4,065	2,095,384
Other receivables	1,839,529	196,252
Reinsurance assets - claims liabilities	74,228,177	118,216,008
Amount due to related companies:		
Insurance payables	(8,659,355)	(7,509,510)
Other payables	(11,810,822)	(14,096,181)

* The head office charges are comprise of technical services and training expenses, marketing and communication support expenses, finance and accounting support expenses, human resources supports 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 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.

24. Insurance risk

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

	2018			2017		
	GROSS RM	REINSURANCE RM	NET RM	GROSS RM	REINSURANCE RM	NET RM
Motor	87,827,653	(1,318,795)	86,508,858	86,029,011	(1,218,739)	84,810,272
Fire	136,127,217	(65,602,655)	70,524,562	218,078,431	(119,732,781)	98,345,650
Marine, Aviation & Transit	54,038,859	(6,664,233)	47,374,626	70,729,553	(14,770,087)	55,959,466
Miscellaneous	173,598,485	(17,143,335)	156,455,150	179,373,788	(8,750,098)	170,623,690
Insurance contract liabilities	451,592,214	(90,729,018)	360,863,196	554,210,783	(144,471,705)	409,739,078

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.

Notes to the financial statements (continued)

24. Insurance risk (continued)

	CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES	IMPACT ON NET LIABILITIES	IMPACT ON PROFIT BEFORE TAX (ADDITIONAL LOSS)	IMPACT OF EQUITY
		RM	RM	RM	RM
31 December 2018					
Average claim cost	+10%	31,939,403	23,547,457	23,547,457	17,896,067
Number of claims	+10%	7,087,382	5,225,201	5,225,201	3,971,153
Inflation	+1%	3,541,110	2,663,737	2,663,737	2,024,440
Discount rate	-1%	3,572,716	2,687,567	2,687,567	2,042,551
Ultimate loss ratio	+5%	17,126,971	11,635,773	11,635,773	8,843,188

31 December 2017

Average claim cost	+10%	37,792,782	24,221,442	24,221,442	18,408,296
Number of claims	+10%	7,026,863	4,503,525	4,503,525	3,422,679
Inflation	+1%	3,867,544	2,743,616	2,743,616	2,085,148
Discount rate	-1%	3,916,362	2,777,829	2,777,829	2,111,150
Ultimate loss ratio	+5%	17,907,063	14,430,514	14,430,514	10,967,191

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 2018:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	
At end of accident year		72,342	92,620	94,132	137,702	147,906	150,448	318,069	201,375		
One year later		69,753	85,299	91,690	132,111	153,306	144,840	262,359			
Two years later		61,654	82,245	87,219	126,849	146,455	142,151				
Three years later		61,295	79,046	83,941	121,899	141,555					
Four years later		59,382	76,173	82,380	120,786						
Five years later		57,519	76,272	82,296							
Six years later		58,267	75,725								
Seven years later		57,762									
Current estimate of cumulative claims incurred		57,762	75,725	82,296	120,786	141,555	142,151	262,359	201,375		
Claims payment Accident year											
At end of accident year		18,991	19,869	20,147	40,951	30,387	29,013	55,141	47,739		
One year later		44,800	49,758	54,947	83,131	93,762	91,043	166,880			
Two years later		46,411	59,861	62,620	96,948	119,597	113,630				
Three years later		50,733	66,122	68,426	106,400	125,981					
Four years later		52,422	69,057	71,272	110,386						
Five years later		53,933	70,497	74,659							
Six years later		55,504	72,520								
Seven years later		56,240									
Cumulative payments to-date		56,240	72,520	74,659	110,386	125,981	113,630	166,880	47,739		
Gross general insurance contract liabilities per statement of financial position 10		3,420	1,522	3,204	7,636	10,400	15,575	28,522	95,478	153,636	319,394
Current estimate of surplus % surplus of initial gross reserve		20%	18%	13%	12%	4%	6%	18%	0%		

Net General Insurance Claims Liabilities for 2018:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	
At end of accident year		56,118	79,184	85,959	116,455	135,095	141,688	182,898	159,178		
One year later		54,023	73,057	82,605	113,209	130,217	133,720	161,302			
Two years later		46,717	69,338	77,868	108,363	122,328	131,981				
Three years later		46,097	66,952	73,183	101,061	118,863					
Four years later		44,902	64,033	71,807	99,977						
Five years later		42,874	64,824	71,328							
Six years later		44,123	64,692								
Seven years later		43,958									
Current estimate of cumulative claims incurred		43,958	64,692	71,328	99,977	118,863	131,981	161,302	159,178		
Claims payment Accident year											
At end of accident year		13,129	17,676	18,900	25,372	28,684	28,137	47,443	40,445		
One year later		30,788	38,942	46,684	65,743	80,636	86,273	105,958			
Two years later		32,314	48,184	54,181	79,712	99,378	108,009				
Three years later		36,513	54,125	57,993	86,539	104,878					
Four years later		38,184	56,919	60,995	90,441						
Five years later		39,530	59,094	63,911							
Six years later		41,478	61,492								
Seven years later		42,439									
Cumulative payments to-date		42,439	61,492	63,911	90,441	104,878	108,009	105,958	40,445		
Net general insurance contract liabilities per statement of financial position 10		1,768	1,519	3,200	7,417	9,536	13,985	23,972	55,344	118,733	235,475
Current estimate of surplus % surplus of initial net reserve			22%	18%	17%	14%	12%	7%	12%	0%	

Notes to the financial statements (continued)

24. Insurance risk (continued)

Gross General Insurance Claims Liabilities for 2017:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
At end of accident year		55,473	72,342	92,620	94,132	137,702	147,906	150,448	318,069		
One year later		52,442	69,753	85,299	91,690	132,111	153,306	144,840			
Two years later		54,092	61,654	82,245	87,219	126,849	146,455				
Three years later		51,404	61,295	79,046	83,941	121,899					
Four years later		50,298	59,382	76,173	82,380						
Five years later		49,832	57,519	76,272							
Six years later		48,522	58,267								
Seven years later		48,413									
Current estimate of cumulative claims incurred			48,413	58,267	76,272	82,380	121,899	146,455	144,840	318,069	
Claims payment Accident year											
At end of accident year		14,649	18,991	19,869	20,147	40,951	30,387	29,013	55,141		
One year later		33,292	44,800	49,758	54,947	83,131	93,762	91,043			
Two years later		39,434	46,411	59,861	62,620	96,948	119,597				
Three years later		41,730	50,733	66,122	68,426	106,400					
Four years later		44,205	52,422	69,057	71,272						
Five years later		45,307	53,933	70,497							
Six years later		46,413	55,504								
Seven years later		46,839									
Cumulative payments to-date			46,839	55,504	70,497	71,272	106,400	119,597	91,043	55,141	
Gross general insurance contract liabilities per statement of financial position 10		(2,375)	1,574	2,764	5,775	11,108	15,499	26,857	53,797	262,929	377,928
Current estimate of surplus % surplus of initial gross reserve			13%	19%	18%	12%	11%	1%	4%	0%	

Net General Insurance Claims Liabilities for 2017:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
At end of accident year		48,393	56,118	79,184	85,959	116,455	135,095	141,688	182,898		
One year later		43,488	54,023	73,057	82,605	113,209	130,217	133,720			
Two years later		45,618	46,717	69,338	77,868	108,363	122,328				
Three years later		43,098	46,097	66,952	73,183	101,061					
Four years later		42,123	44,902	64,033	71,807						
Five years later		41,617	42,874	64,824							
Six years later		40,112	44,123								
Seven years later		40,352									
Current estimate of cumulative claims incurred		40,352	44,123	64,824	71,807	101,061	122,328	133,720	182,898		
Claims payment Accident year											
At end of accident year		14,000	13,129	17,676	18,900	25,372	28,684	28,137	47,443		
One year later		29,021	30,788	38,942	46,684	65,743	80,636	86,273			
Two years later		33,174	32,314	48,184	54,181	79,712	99,378				
Three years later		33,707	36,513	54,125	57,993	86,539					
Four years later		36,083	38,184	56,919	60,995						
Five years later		37,174	39,530	59,094							
Six years later		38,111	41,478								
Seven years later		38,781									
Cumulative payments to-date		38,781	41,478	59,094	60,995	86,539	99,378	86,273	47,443		
Net general insurance contract liabilities per statement of financial position 10		1,082	1,570	2,646	5,729	10,812	14,522	22,950	47,448	135,455	242,214
Current estimate of surplus % surplus of initial net reserve			17%	21%	18%	16%	13%	9%	6%	0%	

Notes to the financial statements (continued)

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	2018 RM	2017 RM
Investments at FVTPL:			
Malaysian Government Securities	5(a)	7,072,656	46,445,835
LAR:			
Fixed and call deposits	5(b)	490,563,489	375,440,733
Reinsurance assets - claims liabilities	10	83,919,466	135,713,406
Insurance receivables	6	95,144,897	136,388,855
Other receivables (exclude prepayment)	7	61,874,431	66,096,551
Cash and bank balances		8,637,281	267,604
		747,212,220	760,352,984

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
31 December 2018				
Investments at FVTPL:				
Malaysian Government Securities	7,072,656	-	-	7,072,656
LAR:				
Fixed and call deposits	490,563,489	-	-	490,563,489
Reinsurance assets - claims liabilities	83,919,466	-	-	83,919,466
Insurance receivables	67,181,322	27,963,575	2,432,319	97,577,216
Other receivables	61,874,431	-	-	61,874,431
Cash and bank balances	8,637,281	-	-	8,637,281
	719,248,645	27,963,575	2,432,319	749,644,539
Allowance for impairment	-	-	(2,432,319)	(2,432,319)
	719,248,645	27,963,575	-	747,212,220

	NEITHER PAST-DUE NOR IMPAIRED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
31 December 2017				
Investments at FVTPL:				
Malaysian Government Securities	46,445,835	-	-	46,445,835
LAR:				
Fixed and call deposits	375,440,733	-	-	375,440,733
Reinsurance assets - claims liabilities	135,713,406	-	-	135,713,406
Insurance receivables	107,809,849	28,579,006	2,049,767	138,438,622
Other receivables	66,096,551	-	-	66,096,551
Cash and bank balances	267,604	-	-	267,604
	731,773,978	28,579,006	2,049,767	762,402,751
Allowance for impairment	-	-	(2,049,767)	(2,049,767)
	731,773,978	28,579,006	-	760,352,984

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
31 December 2018					
Investments at FVTPL:					
Malaysian Government Securities	-	-	-	7,072,656	7,072,656
LAR:					
Fixed and call deposits	342,823,128	147,740,361	-	-	490,563,489
Reinsurance assets - claims liabilities	-	1,032,233	77,380,667	5,506,566	83,919,466
Insurance receivables	-	(1,278)	1,046,768	94,099,407	95,144,897
Other receivables	-	-	-	61,874,431	61,874,431
Cash and bank balances	8,612,122	-	14,159	11,000	8,637,281
	351,435,250	148,771,316	78,441,594	168,564,060	747,212,220
31 December 2017					
Investments at FVTPL:					
Malaysian Government Securities	-	-	-	46,445,835	46,445,835
LAR:					
Fixed and call deposits	185,176,853	190,263,880	-	-	375,440,733
Reinsurance assets - claims liabilities	-	310,433	128,336,204	7,066,769	135,713,406
Insurance receivables	-	21,874	620,575	135,746,406	136,388,855
Other receivables	-	-	-	66,096,551	66,096,551
Cash and bank balances	245,961	10,643	-	11,000	267,604
	185,422,814	190,606,830	128,956,779	255,366,561	760,352,984

Notes to the financial statements (continued)

25. Financial risks (continued)

(1) Credit Risk (continued)

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
31 December 2018					
Insurance receivables	5,551,269	6,388,200	5,150,871	10,873,235	27,963,575
31 December 2017					
Insurance receivables	6,841,237	3,729,654	6,008,055	12,000,060	28,579,006

* 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 2018, based on individual assessment of insurance receivables, there are impaired insurance receivables of RM2,432,319 (2017: RM2,049,767). 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:

	2018 RM	2017 RM
At 1 January		
Allowance	2,049,767	1,299,633
	382,552	750,134
At 31 December	2,432,319	2,049,767

(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.

	CARRYING VALUE RM	UP TO A YEAR RM	1-3 YEARS RM	3-5 YEARS RM	5-15 YEARS RM	TOTAL RM
2018						
Investments:						
FVTPL	7,072,656	7,131,565	-	-	-	7,131,565
LAR	490,563,489	499,323,051	-	-	-	499,323,051
Reinsurance assets -						
claims liabilities	83,919,466	59,988,085	17,781,084	4,374,498	1,775,799	83,919,466
Insurance receivables	95,144,897	95,144,897	-	-	-	95,144,897
Cash and bank balances	8,637,281	8,637,281	-	-	-	8,637,281
Total assets	685,337,789	670,224,879	17,781,084	4,374,498	1,775,799	694,156,260
Insurance contract liabilities -						
claims liabilities	319,394,031	209,214,929	87,156,671	17,464,888	5,557,543	319,394,031
Insurance payables	34,277,393	34,277,393	-	-	-	34,277,393
Other payables	80,098,364	80,098,364	-	-	-	80,098,364
Tax payable	1,868,503	1,868,503	-	-	-	1,868,503
Total liabilities	435,638,291	325,459,189	87,156,671	17,464,888	5,557,543	435,638,291
2017						
Investments:						
FVTPL	46,445,835	1,674,930	9,955,165	40,411,800	-	52,041,895
LAR	375,440,733	365,801,714	17,264,000	-	-	383,065,714
Reinsurance assets -						
claims liabilities	135,713,406	106,502,344	24,509,242	3,446,156	1,255,664	135,713,406
Insurance receivables	136,388,855	136,388,855	-	-	-	136,388,855
Tax recoverable	-	-	-	-	-	-
Cash and bank balances	267,604	267,604	-	-	-	267,604
Total assets	694,256,433	610,635,447	51,728,407	43,857,956	1,255,664	707,477,474
Insurance contract liabilities -						
claims liabilities	377,927,823	259,945,935	95,840,850	17,013,006	5,128,032	377,927,823
Insurance payables	30,219,276	30,219,276	-	-	-	30,219,276
Other payables	19,839,308	19,839,308	-	-	-	19,839,308
Total liabilities	427,986,407	310,004,519	95,840,850	17,013,006	5,128,032	427,986,407

Notes to the financial statements (continued)

25. Financial risks (continued)

(2) Liquidity Risk (continued)

Maturity Profiles (continued)

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

	CURRENT*	NON-CURRENT	TOTAL
	RM	RM	RM
31 December 2018			
Property, plant and equipment	-	8,934,107	8,934,107
Intangible assets	-	3,810,275	3,810,275
Investments:			
- FVTPL	-	7,072,656	7,072,656
- LAR	490,563,489	-	490,563,489
Reinsurance assets	66,797,637	23,931,381	90,729,018
Insurance receivables	95,144,897	-	95,144,897
Other receivables	60,208,429	1,666,002	61,874,431
Deferred tax asset	-	5,218,828	5,218,828
Tax recoverable	-	-	-
Cash and bank balances	8,637,281	-	8,637,281
Total assets	721,351,733	50,633,249	771,984,982
31 December 2017			
Property, plant and equipment	-	9,421,410	9,421,410
Intangible assets	-	5,817,726	5,817,726
Investments:			
- FVTPL	-	46,445,835	46,445,835
- LAR	375,440,733	-	375,440,733
Reinsurance assets	115,260,643	29,211,062	144,471,705
Insurance receivables	136,388,855	-	136,388,855
Other receivables	64,427,151	1,669,400	66,096,551
Deferred tax asset	-	2,816,798	2,816,798
Tax recoverable	1,003,050	-	1,003,050
Cash and bank balances	267,604	-	267,604
Total assets	692,788,036	95,382,231	788,170,267

* 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.

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 autonomy 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 Plan ("CMP") 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 CMP for implementation with effect from 1 January 2009.

The Risk Management 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 Management Committee prior to recommendation to the Board of Directors for approval and implementation.

The capital structure of the company as at 31 December 2018 and 31 December 2017 as prescribed under the RBC Framework is as below:

	NOTE	2018 RM	2017 RM
Eligible Tier 1 Capital			
Share capital (paid-up)	8	108,000,000	108,000,000
Reserves, including retained earnings		91,943,439	70,323,861
		199,943,439	178,323,861
Amounts deducted from Capital	11	(5,218,828)	(2,816,798)
Total Capital Available		194,724,611	175,507,063

27. Approval of financial statements

The financial statements were authorised for issue by the Board of Directors with a resolution of the Directors on 11 February 2019.

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