LIBERTY INSURANCE BERHAD
197301003242 (16688-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
(For group reporting purpose)
31 December 2021

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LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

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LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of all classes of general insurance business.

HOLDING AND ULTIMATE HOLDING COMPANIES

The immediate holding company is Liberty Mutual Insurance Company, a company incorporated in Massachusetts, United States of America. The ultimate holding company is Liberty Mutual Holding Company Inc. ("Liberty Mutual"), a company incorporated in the Massachusetts, United States of America.

RESULTS

	RM'000
Net profit for the financial year	52,089

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

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2021.

SHARE CAPITAL

There were no changes in the issued and paid-up capital of the Company during the financial year.

DIRECTORS

The Directors who have held office during the year since the beginning of the financial year to the date of this report are as follows:

YBhg. Dato' Haji Kamil Khalid Ariff	Chairman
YBhg. Dato' Lim Heen Peok	
Mr. Keong Choon Keat	
Mdm. Elsie Kok Yin Mei	
Mdm. Saime Defne Turkes (Appointed on 1 January 2022)	
Mr. Matthew David Nickerson (Resigned on 31 December 2021)	

In accordance with Clause 16.3 of the Company's Constitution, YBhg. Dato' Lim Heen Peok and Mr. Keong Choon Keat shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Clause 16.8 of the Company's Constitution, Madam Saime Defne Turkes shall retire and, being eligible, offer herself for re-election at the forthcoming Annual General Meeting.

PROVISION FOR INSURANCE LIABILITIES

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 for Insurers ("RBC Framework") issued by Bank Negara Malaysia ("BNM").

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and making of provision for doubtful debts, and are satisfied that all known bad debts had been written off and adequate provision had been made for doubtful debts.

As at the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstance which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their values, as shown in the accounting records of the Company, in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) 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

(b) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of the paragraphs above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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.

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

DIRECTORS' INTEREST

None of the Directors in office at the end of the financial year held any interests in the shares of the Company or in its related corporations during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration and benefits provided to Directors as disclosed in Notes 27 and 31 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FOR LICENSED INSTITUTIONS

The Company adheres to the requirements of, and adopts management practices that are consistent with the principles prescribed under the Policy Document BNM/RH/PD 029-9 on Corporate Governance issued by BNM.

BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors ("Board") is committed in ensuring that the highest standards of governance are being maintained. This is achieved through compliance with the Financial Services Act, 2013 and other directives issued by BNM. The Company strives to adopt other best practices on corporate governance.

The Board has delegated specific responsibilities to four Board Committees as follows:

(i) Audit Committee
(ii) Nomination Committee
(iii) Remuneration Committee
(iv) Risk Management Committee

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

The above committees have the authority to examine pertinent issues and report back to the Board with their recommendations. Ultimate responsibility for final decisions on all matters lie with the Board.

(a) Composition of the Board

There is a balanced mix in the Board membership with wide ranging skills and experience that comprises five directors i.e. three Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Executive Director. No individual or group of individuals is able to dominate the Board's decision-making process. In addition, the Directors do not hold directorships in excess of the prescribed maximum limit.

(b) Board Meetings

During the financial year, the Board met eight times and all Directors in office during the period complied with the 75% minimum attendance requirement at such meetings. Details of attendance of each Board member at meetings held during the financial year ended 31 December 2021 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman of the Board)	Non-Independent Non-Executive Director & Chairman	8	8 of 8
YBhg. Dato' Lim Heen Peok	Independent Non-Executive Director	8	8 of 8
Mr. Keong Choon Keat	Independent Non-Executive Director	8	8 of 8
Mdm. Elsie Kok Yin Mei	Independent Non-Executive Director	8	8 of 8
Mr. Matthew David Nickerson	Executive Director	8	8 of 8

(c) Directors' training

Directors are encouraged to attend continuous education programmes and seminars to keep abreast with developments in the industry. The Company has established a written policy for induction and education programmes for Directors in line with the corporate governance standard requirements.

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

(d) Board of directors' policy

The Company has prepared and updated the Board of Directors' Policy to provide the Directors with overview information of the insurance industry in general and the Company specifically together with a comprehensive list of other information. It will be the main reference material on the Malaysian insurance industry and the Company's operations as a whole for the newly appointed directors.

(e) Annual General Meeting ("AGM")

At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in a question and answer session. The Chief Executive Officer ("CEO") and, where appropriate, the Chairmen of the Audit, Nomination, Remuneration and Risk Management Committees are available to respond to shareholders' questions during the meeting.

Board Committees

There are four Board Committees namely Audit, Nomination, Remuneration and Risk Management. Details of each Board Committee during the financial year are as follows:

A The Audit Committee

The primary objective of the Audit Committee ("AC") is to assist the Board in fulfilling its oversight responsibilities in ensuring the integrity and transparency of the financial reporting process, the effectiveness of internal control, the audit process and the monitoring of compliance with relevant laws and regulations.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2021 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
Mr. Keong Choon Keat (Chairman)	Independent Non-Executive Director & Chairman	6	6 of 6
YBhg. Dato' Haji Kamil Khalid Ariff	Non-Independent Non-Executive Director	6	6 of 6
YBhg Dato' Lim Heen Peok	Independent Non-Executive Director	6	6 of 6
Mdm. Elsie Kok Yin Mei	Independent Non-Executive Director	6	6 of 6

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Board Committees (continued)

B The Nomination Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure for the appointment of new Directors, the CEO and key Senior Officers. It is also responsible for reviewing the balance of Directors and assessing the effectiveness of each individual Director, the Board as a whole and the various Committees of the Board, the CEO and the key Senior Officers.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2021 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Lim Heen Peok (Chairman)	Independent Non-Executive Director & Chairman	3	3 of 3
YBhg. Dato' Haji Kamil Khalid Ariff	Non-Independent Non-Executive Director	3	3 of 3
Mdm. Elsie Kok Yin Mei	Independent Non-Executive Director	3	3 of 3
Mr. Keong Choon Keat	Independent Non-Executive Director	3	3 of 3
Mr. Matthew David Nickerson	Executive Director	3	3 of 3

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Board Committees (continued)

C The Remuneration Committee

The primary objective of the Remuneration Committee is to establish a documented, formal and transparent procedure for developing a remuneration policy for Directors, the CEO and key Senior Officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2021 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Lim Heen Peok (Chairman)	Independent Non-Executive Director & Chairman	3	3 of 3
YBhg. Dato' Haji Kamil Khalid Ariff	Non-Independent Non-Executive Director	3	3 of 3
Mr. Keong Choon Keat	Independent Non-Executive Director	3	3 of 3

D The Risk Management Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure to provide opportunities for improving the quality of governance and risk management in the Company.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2021 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
Mdm. Elsie Kok Yin Mei (Chairman)	Independent Non-Executive Director & Chairman	6	6 of 6
YBhg. Dato' Haji Kamil Khalid Ariff	Non-Independent Non-Executive Director	6	6 of 6
YBhg Dato' Lim Heen Peok	Independent Non-Executive Director	6	6 of 6

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Material Contracts

No material contracts (not being contracts entered into, in the ordinary course of business) have been entered into by the Company involving Directors' and substantial shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Corporate Independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL 018-6) in respect of all its related party transactions.

Internal Controls and Enterprise Risk Management

The Board affirms its overall responsibility for the system of internal control within the Company. The objective of the system of internal control is to enable the Company to achieve its objectives whilst safeguarding its assets and maintaining integrity of its financial system. The system is designed to ensure effective and efficient operations, financial reporting and compliance with the relevant laws and regulations.

It is the Board's responsibility to determine the strategies and policies for a sound risk management and control environment, whilst Senior Management should ensure that the Company's business activities are consistent with the risk strategies and policies approved by the Board.

The process for the identification and evaluation of significant risks is done through the adoption of the Enterprise Risk Management ("ERM") framework, supporting policies and guidelines. The Risk Management Committee of the Board ("RMC-B") will oversee Senior Management's activities in managing the key risk areas, including emerging risks and ensuring that the risk management framework and processes are in place and functioning effectively.

The implementation of the ERM framework is delegated to the CEO whom is supported by the Enterprise Wide Opportunity and Risk Management Committee of the Management ("EORMC-M"). The EORMC-M will assist the Senior Management in formulating appropriate procedures (including assessment methodologies, tools and techniques) and review the application of risk management practices. The Head of ERM & Compliance Assurance Department ("ERMCAD") will regularly report to the RMC-B on the effectiveness of risk management and control measures. The risk management process is undertaken throughout the year, driven by the ERMCAD and supported by the respective risk owners and coordinators from the business functions.

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Internal Controls and Enterprise Risk Management (continued)

The Internal Audit Department ("IAD") is also actively involved in the audit of ERM based on the auditees' risk profile. Through a risk based audit approach, it provides the Board with an independent assurance on the adequacy and effectiveness of the risk management framework and internal control system. The IAD also incorporates, as part of its audit work, the detection of fraud risk and anti-money laundering risk.

Identifying, evaluating and managing of risks (which include amongst others; business, financial, operational, compliance, climate change and information technology risks) faced by the Company is an on-going process that encompasses the following areas:

(a) Underwriting

The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed as and when necessary.

(b) Financial control procedures

Detailed controls are laid down in the procedural manuals of each operating unit.

(c) Financial position

Yearly business plans are submitted to the Board for their approval. As part of regular performance monitoring, the financial reports are submitted to the Board for their review at every Board Meeting. These reports cover all key operational areas and provide a sound basis for the Board to assess the Company's financial performance and to identify potential problems faced by the Company.

(d) Investment

The terms of reference of the Investment Committee, the investment policies and guidelines and the investment decision making structure and process are clearly defined in the Investment Guide. Performance of investment funds and asset allocation reports are amongst the reports submitted to the Investment Committee for review at their regular meetings. Investment limits are monitored continuously to ensure compliance with the regulatory limits as per the Risk Based Capital framework and the internal limits as per the risk tolerance level.

(e) Information system

The IT Steering Committee, whose members are represented by the Senior Management of the Company and the Head of IT, is responsible for identifying IT needs of the Company in line with the requirements of BNM's Policy Document on Risk Management in Technology (BNM/RH/PD 028-98).

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Internal Controls and Enterprise Risk Management (continued)

(f) Claims

The Company exercises control over the processing and payments of claims. The allocations of provisions are updated and reviewed on a timely basis.

The Board has also taken note of the emergence and importance of effectively managing Environmental, Social and Governance ("ESG") related matters of the Company. In view of this, the Company has established an ESG Committee to support the Board, whose members are represented by the Senior Management of the Company and the CEO. The ESG Committee is guided by BNM's paper on Climate Change and Principle-based Taxonomy to encourage mobilisation of capital and financial flows to facilitate orderly transition to low-carbon and climate resilient activities.

The functions and responsibilities of the Board with respect to internal audit and the functions and responsibilities of the IAD are in accordance with the BNM's Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4), Corporate Governance (BNM/RH/PD 029-9), Risk Governance (BNM/RH/GL 013-5) and Financial Services Act 2013, Section 62 and Section 143.

The IAD's function is to assist the Board and Senior Management by providing independent assurance on the effectiveness of internal controls and adherence to the institution's organisational and procedural controls. IAD reports directly to the Board through the Audit Committee ("AC"). The AC reviews and approves the annual audit plan, audit reports, audit charter and budget of the IAD. The Chairman of the AC provides written reports to the board on the deliberations of the AC on a regular basis. In addition, the AC Chairman also presents a summary of all significant matters and resolutions made by the AC at the Board meetings.

Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Financial Reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

CORPORATE GOVERNANCE (CONTINUED)

BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Financial Reporting (continued)

(a) Directors' responsibility statement

The Directors are required by the Companies Act, 2016 to prepare financial statements in accordance with applicable approved accounting standards on the state of affairs of the Company, the results and the cash flows of the Company for the financial year.

In preparing the financial statements, the Directors have:

(i) Selected suitable accounting policies and applied them consistently;
(ii) Made judgements and estimates that are reasonable and prudent;
(iii) Ensured that all applicable accounting standards have been followed; and
(iv) Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made inquiries that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records that disclose with reasonable accuracy, the financial position of the Company and which enables them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors have the overall responsibility for taking reasonable steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE (CONTINUED)

REMUNERATION POLICY

The Company's remuneration policy is based on the Liberty Mutual Insurance Group ("LMIG") compensation philosophy outlined below.

- Be competitive to market
- Pay for performance
  - Pay above market for people who perform well
  - Pay significantly above market for exceptional performance
- Provide pay growth through promotional opportunities

The Company's remuneration policy describe the various components of fixed and variable remuneration delivered to its employees and serves to demonstrate good corporate governance, compliances with all relevant local legislation and minimising risky behavior.

The Company is committed in attracting, developing and retaining the best talent and motivates its employees to succeed. Through robust remuneration program design and assessment and performance management practices, the Company commits to this aim by ensuring that:

- Employees are paid fairly and competitively against the local market in respect to total compensation, with the potential for increased total compensation in return for exceeding performance expectations.

- Base salaries offer a significant proportion of the compensation to ensure that employees live well.

- Incentive schemes are designed in a way that reward short and long term performance and ensure that employees are not incentivised to engage in inappropriate risk taking.

Recognising its independent responsibility in ensuring the above commitments are kept, the Company aims to ensure that:

- Performance goals are clearly designed and communicated to the employees of the organisation through a robust, but transparent, performance management process.

- Performance goals are aligned with the long term strategy of the business and the requirements of each individual employee.

- Customers and the insurance markets are protected from any negative impact associated with mismanagement of remuneration at any level of the organisation.

REMUNERATION POLICY (CONTINUED)

The policy is overseen by the Board of the Company. The policy has been approved by the Board of Directors of the Company, and will be reviewed periodically. Any change in this policy requires the prior approval of the Board before it can be considered final.

The Board of Directors reviews the elements of remuneration set out in this policy to ensure that strong risk management practices are in place. It does this to ensure:

- Impartiality in executive pay.
- That final decisions regarding remuneration protect the long-term interests of the Company's stakeholders.

The Board may consult with external consultant and key LMIG or Liberty International Consumer Markets ("LICM") corporate functions (Human Resources, Compensation & Benefits, Risk Management, Global Compliance & Ethics, Internal Audit, Finance, Strategic Planning, etc.) to ensure that incentive schemes do not expose the Company to undue risk taking or endanger its capital or liquidity.

REMUNERATION COMPONENTS

The remuneration elements of the Company typically consist of the following categories:

(a) Fixed remuneration (base salary and any allowances)
(b) Variable pay (short-term and long-term)
(c) Retirement benefits (pension)
(d) Benefits
(e) Perquisites

(a) Fixed remuneration

Fixed remuneration is predominantly base salary, although it may also include fixed allowances which are typical market practice. Fixed remuneration is aligned to the local market and is reviewed for all employees on an annual basis during the Salary Review process. It may also be assessed due to a promotion, transfer or other change of role throughout the year.

In keeping with the Company's compensation philosophy, the Company aims to pay at market median.

CORPORATE GOVERNANCE (CONTINUED)

REMUNERATION COMPONENTS (CONTINUED)

(b) Variable pay

Variable pay aims to reward high performance based on achievement of individual and business objectives which are aligned to the growth of the Company over the short and long term.

Employees are eligible for a Short-Term Incentive scheme with a performance period of one year. Senior employees, whose performance can be measured once the impact of their strategic decisions has been assessed, may also be eligible to participate in Long-Term Incentive schemes.

Variable pay plans offered to employees are designed to reward both short and long term performance. Rewards are calculated by reference to individual targets, usually a percentage of salary, which differ depending on level of seniority and market norms. However, awards from variable pay schemes are discretionary. Based on the plan rules, payments can be restricted or not paid at all.

Short term performance is measured by achievement of individual (personal) objectives and business objectives measured over a one year time frame.

Individual performance is measured against targets that are established every year and can be financial or non-financial. In addition, employees' behavior can also increase or decrease their performance rating. In each calendar year, both the 'what' and the 'how' of individual performance achievement are measured and rated.

Employees with superior individual performance and in an operation that significantly exceeds profit and growth targets can earn a maximum of two times their target bonus.

Employees that only "Partially met Expectations" may receive a reduced bonus regardless of the business performance. If an employee is deemed to have been performing below expectations and in an operation that fails to meet threshold profit and growth targets, that employee will not receive a bonus.

Business unit and overall business performance is measured against annually established targets which take account of the prior year performance, business plans and the operating environment. Typical measures of performance include, but are not limited to, Return on Equity ("ROE"), Pre-Tax Operating Income ("PTOI"), Gross Written Premium ("GWP") and Net Written Premium ("NWP").

These targets are reviewed by the head of each division/department and the CEO of the Company and the Executive Director. They are also reviewed by the Remuneration Committee of the Board.

CORPORATE GOVERNANCE (CONTINUED)

REMUNERATION COMPONENTS (CONTINUED)

(b) Variable pay (continued)

Long term performance is generally measured by reference to profit against the business plan and growth against a defined peer group over a two year period with a one year waiting period prior to payment (total cycle is three years). Long term performance for eligible employees is paid at the beginning of the fourth year following the cycle.

Typical measures include Pre-Tax Operating Income ("PTOI"), Accumulated Other Comprehensive Income ("AOCI") and Return on Equity ("ROE").

(c) Pension

Pension plans should provide security to employees in their retirement. Pensions are designed to be appropriate for the Company's operations, legally compliant, and also sustainable for the business. It aims to be generous enough to provide long-term stability to employees without acting as a barrier for exit.

(d) Benefits

Benefits are designed to offer a competitive package to employees. All benefits provisions shall be reviewed regularly to ensure that a legally compliant, as well as competitive position is maintained at all times.

(e) Perquisites

Perquisites are part of a competitive package to some employees. All perquisites shall be reviewed regularly to ensure that a legally compliant, as well as competitive position, is maintained at all times.

ROLE OF REMUNERATION COMMITTEE

The Remuneration Committee shall recommend the following to the Board of Directors for approval:

- Remuneration package for the CEO and key Senior Officers (i.e. General Manager Rank & above);
- All employee benefits;
- Variable pay (short-term & long-term incentive);
- Annual salary increments; and
- Salary adjustments.

CORPORATE GOVERNANCE (CONTINUED)

MATERIAL RISK TAKERS

Material Risk Takers are also the key management personnel and the remuneration structure is as disclosed in Note 31 to the financial statements. As at 31 December 2021, the Company has a total of 12 Material Risk Takers (2020: 12).

INDEMNITY AND INSURANCE COST

The following disclosure on particulars of idemnity given to, or insurance affected for, any Director or officer of the Company is made pursuant to Section 289(7) of the Companies Act 2016:

	Sum insured USD'000
Directors and Officers Liability Insurance	25,000

The liability insurance coverage for the Directors and Officers of the Company is under a global policy secured by the ultimate holding company with a sum insured amounting to United States Dollar ("USD") 25 million, being the aggregate limit of the coverage.

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

CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS' PROFILE

The following are the profile of the Directors of the Company:

YBHG. DATO' HAJI KAMIL KHALID ARIFF
CHAIRMAN / NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

YBhg. Dato' Haji Kamil Khalid Ariff, aged 67, is a Malaysian citizen and is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board on 24 October 2011. He has been the Chairman of the Company since 19 January 2012. He is also a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

He obtained his Bachelor of Science Management from Syracuse University, New York, USA and Master of Business Administration from Central Michigan University, Michigan, USA.

His directorships in other companies are as Director of Gibraltar BSN Life Berhad, Putrajaya Holdings Sdn Bhd, Space Capital Berhad and Public Islamic Bank Berhad.

He has no family relationship with any other directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years and has attended 8 out of 8 Board of Directors' meetings held during the financial year ended 31 December 2021.

Trainings attended

1) Webinar: Invitation from BNM and SC Malaysia to participate in the Joint Committee on Climate Change (JC3) Flagship Conference: #FinanceForChange
2) Sharing with Liberty Insurance Berhad – MFRS 17 Insurance Contracts Understanding its Impact and Consequences & ESG
3) Cybersecurity Awareness

CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS' PROFILE (CONTINUED)

MATTHEW DAVID NICKERSON
EXECUTIVE DIRECTOR

Matthew David Nickerson, aged 58, is an American citizen and is an Executive Director of the Company. He was appointed to the Board on 30 July 2018 and resigned on 31 December 2021. He was also a member of the Nomination Committee.

He obtained his Insurance Executive Development Program from Wharton School of the University of Pennsylvania, Bachelor of Arts Mathematics and Business Administration from Colby College, Waterville, Maine and Master of Business Administration from University of Southern New Hampshire.

His directorships in other companies are as Director of Liberty International Holdings Inc. (Delaware), Liberty International Europe Inc. (Delaware), Liberty International Holdings LLC (Delaware), Liberty International Insurance Limited (Hong Kong), Liberty Insurance (JSC) (Russia), Kritaya Tun Company Limited (Thailand), Tun Kaoklai Co., Ltd. (Thailand), Liberty Insurance Pte. Ltd. (Singapore) and Liberty Insurance Limited (Vietnam).

He has no family relationship with any other directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years and has attended 8 out of 8 Board of Directors' meetings held during the financial year ended 31 December 2021.

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS' PROFILE (CONTINUED)

KEONG CHOON KEAT
INDEPENDENT NON-EXECUTIVE DIRECTOR

Keong Choon Keat, aged 77, is a Malaysian citizen and is an Independent Non-Executive Director of the Company. He was appointed to the Board on 10 February 2015. He is also the Chairman of the Audit Committee, a member of the Remuneration Committee and Nomination Committee.

He obtained his ACA from Institute of Chartered Accountants, England & Wales, United Kingdom, CA from Malaysian Institute of Accountants, Malaysia, MICPA from Malaysian Institute of CPA, Malaysia and FCA from Institute of Chartered Accountants, England & Wales, United Kingdom.

His directorships in other companies are as Director of Chin Teck Plantations Berhad and Negri Sembilan Oil Palms Berhad.

He has no family relationship with any other directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years and has attended 8 out of 8 Board of Directors' meetings held during the financial year ended 31 December 2021.

Trainings attended

1) BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know
2) Training Competition Law
3) Sharing with Liberty Insurance Berhad – MFRS 17 Insurance Contracts Understanding its Impact and Consequences & ESG
4) Cybersecurity Awareness

CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS' PROFILE (CONTINUED)

YBHG. DATO' LIM HEEN PEOK
INDEPENDENT NON-EXECUTIVE DIRECTOR

YBhg. Dato' Lim Heen Peok, aged 73, is a Malaysian citizen and is an Independent Non-Executive Director of the Company. He was appointed to the Board on 7 March 2016. He is also the Chairman of the Nomination Committee and the Remuneration Committee, and a member of the Risk Management Committee and Audit Committee.

He obtained his BSc. Mech Engineering from University of Strathclyde, United Kingdom.

His directorship in other companies are as Director of Unitedstar Corporation Sdn. Bhd., Furniweb Holdings Limited (Hong Kong) and Assunta Hospital.

He has no family relationship with any other directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past 10 years and has attended all 8 out of 8 Board of Directors' Meetings held during financial year ended 31 December 2021.

Trainings attended

1) Invitation from BNM and SC Malaysia to participate in the Joint Committee on Climate Change (JC3) Flagship Conference: #FinanceForChange
2) BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know
3) Training Competition Law
4) Sharing with Liberty Insurance Berhad – MFRS 17 Insurance Contracts Understanding its Impact and Consequences & ESG
5) Cybersecurity Awareness
6) BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators

CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS' PROFILE (CONTINUED)

ELSIE KOK YIN MEI
INDEPENDENT NON-EXECUTIVE DIRECTOR

Elsie Kok Yin Mei, aged 61, is a Malaysia citizen and is an Independent Non-Executive Director of the Company. She was appointed to the Board on 28 July 2017. She is also the Chairman of the Risk Management Committee, and a member of the Audit Committee and Nomination Committee.

She obtained her Bachelor of Jurisprudence/LLB from Monash University, Australia.

Her directorship in other company is Director of Malaysian Bulk Carriers Berhad.

She has no family relationship with any other directors/major shareholders of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past 10 years and has attended 8 out of 8 Board of Directors' meetings held during her tenure for the financial year ended 31 December 2021.

Trainings attended

1) Invitation from BNM and SC Malaysia to participate in the Joint Committee on Climate Change (JC3) Flagship Conference: #FinanceForChange
2) BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know
3) Training Competition Law
4) Sharing with Liberty Insurance Berhad – MFRS 17 Insurance Contracts Understanding its Impact and Consequences & ESG
5) Cybersecurity Awareness
6) FIDE FORUM's Board Effectiveness Evaluation Industry Briefing
7) BNM-FIDE FORUM Dialogue: The Role of Independent Directors in Embracing Present and Future Challenges
8) BNM-FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector
9) BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on
10) BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
11) Bursa-FIDE FORUM Dialogue on Sustainability
12) The 2050 Net Zero Carbon Emissions Target: Finance's Role
13) SC-FIDE FORUM Dialogue on Capital Market Masterplan 3

CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS' PROFILE (CONTINUED)

SAIME DEFNE TURKES
EXECUTIVE DIRECTOR

Saime Defne Turkes, aged 46, is a Turkish citizen and is an Executive Director of the Company. She was appointed to the Board on 1 January 2022. She is a member of the Nomination Committee.

She obtained her qualifications in Advanced Certified of Capital Markets from Capital Markets Board of Turkey, Certified Public Accountant & Financial Advisor from Istanbul Chamber of Certified Public Accountants (ISMMMO) and Bachelor of Arts in Management from Bogazici University, Turkey.

Her directorships in other companies are as Director of Liberty International Insurance Limited (Hong Kong), Liberty Insurance Pte. Ltd. (Singapore), Liberty Citystate Holdings Pte. Ltd. (Singapore), Solaria Labs Singapore Pte. Ltd. (Singapore), LMG Insurance Public Co., Ltd. (Thailand) and Liberty Insurance Limited (Vietnam).

She has no family relationship with any other directors/major shareholders of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past 10 years and has not attended any Board of Directors' meetings for the financial year ended 31 December 2021.

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LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

SIGNIFICANT EVENT

There were no significant events which have occurred during the financial year other than as disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Ernst and Young PLT, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 March 2022.

DATO' HAJI KAMIL KHALID ARIFF
DIRECTOR

KEONG CHOON KEAT
DIRECTOR

Kuala Lumpur, Malaysia
23 March 2022

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LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

Statement by directors pursuant to
Section 251(2) of the Companies Act, 2016

We, Dato' Haji Kamil Khalid Ariff and Keong Choon Keat, being two of the Directors of Liberty Insurance Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 148 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of the financial performance and cash flows of the Company for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 23 March 2022.

DATO' HAJI KAMIL KHALID ARIFF
DIRECTOR

KEONG CHOON KEAT
DIRECTOR

Kuala Lumpur, Malaysia
23 March 2022

Statutory declaration pursuant to
Section 251(1)(b) of the Companies Act, 2016

I, Puneet Pravinder Pasricha, the Officer primarily responsible for the financial management of Liberty Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 148 are, in my opinion, 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 in Malaysia.

Subscribed and solemnly declared
by the abovenamed Puneet Pravinder Pasricha
at Kuala Lumpur in Malaysia
on 23 March 2022

PUNEET PRAVINDER PASRICHA

Before me,

PESURUHJAYA SUMPAH
W 729
MARDHIYYAH
ABDUL WAHAB
1 JAN 2021-31 DIS 2023
MALAYSIA

SUITE 9.03, TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT
0350 KUALA LUMPUR

Building a better working world

Ernst & Young PLT
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SST ID: W10-2002-32000062
Chartered Accountants
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Independent auditors' report to the members of Liberty Insurance Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Liberty Insurance Berhad, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 148.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors and management of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and the Reconciliation of net income and surplus between MFRS and USGAAP, but does not include the financial statements of the Company and our auditors' report thereon. The directors are responsible for the Directors' Report whilst management are responsible for the Reconciliation of net income and surplus between MFRS and USGAAP.

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Independent auditors' report to the members of Liberty Insurance Berhad (continued) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (continued)

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 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.

The management of the Company are the responsible for the preparation of the Reconciliation of net income and surplus between MFRS and USGAAP.

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 members of
Liberty Insurance Berhad (continued)
(Incorporated in Malaysia)**

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:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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**Independent auditors' report to the members of
Liberty Insurance Berhad (continued)
(Incorporated in Malaysia)**

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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Sue Ean
No. 03276/07/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 March 2022

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LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Property and equipment	4	59,457	67,765
Right-of-use assets	5(a)	1,074	1,441
Intangible assets - software	6	3,598	2,493
Investment properties	7(b)	33,612	28,720
Financial assets at fair value through other comprehensive income	8	665,112	642,624
Financial assets at fair value through profit or loss	9	270,849	136,302
Financial assets at amortised cost	10	454,753	590,806
Reinsurance assets	12	251,531	100,216
Insurance receivables	13(a)	24,120	37,186
Other receivables	13(b)	49,188	51,392
Deferred acquisition costs	14	29,971	31,149
Deferred tax assets	11	9,776	-
Cash and short term deposits	15	70,050	38,089
Total assets still in used for business activities		1,923,091	1,728,183
Non-current asset held for sale	7(a)	-	6,600
Total assets		1,923,091	1,734,783
EQUITY			
Share capital	16	100,000	100,000
Other reserves	17	12,165	33,507
Retained earnings	18	658,340	606,251
Total equity		770,505	739,758
LIABILITIES			
Insurance contract liabilities	19	996,401	865,391
Tax liabilities		6,919	17,536
Deferred tax liabilities	11	-	2,433
Deferred acquisition costs - reinsurance	14	4,458	3,911
Insurance payables	20	53,823	39,147
Other payables	21	89,886	65,137
Lease liabilities	5(b)	1,099	1,470
Total liabilities		1,152,586	995,025
Total equity and liabilities		1,923,091	1,734,783

The accompanying notes form an integral part of the financial statements.

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LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Gross written premiums		580,961	594,696
Change in premium liabilities		16,075	3,890
Gross earned premiums (a)		597,036	598,586
			-
Reinsurance premiums ceded		(112,061)	(90,555)
Change in premium liabilities		3,890	3,723
Premiums ceded to reinsurers (b)		(108,171)	(86,832)
Net earned premiums (a) - (b)		488,865	511,754
Investment income	22	38,240	45,415
Realised gains/(losses)	23	416	(64)
Net fair value (losses)/gains	24	(7,569)	167
Commission income	25	21,031	18,207
Other operating income	26	355	4,640
Other revenue		52,473	68,365
Gross claims paid	19 (i)	(287,880)	(322,774)
Claims ceded to reinsurers	19 (i)	32,641	34,867
Gross change to claims liabilities	19 (i)	(147,085)	28,010
Change in claims liabilities ceded to reinsurers	19 (i)	147,425	(933)
Net claims incurred		(254,899)	(260,830)
Commission expense	25	(74,524)	(68,198)
Management expenses	27 (a)	(127,885)	(130,688)
Other operating expenses	27 (b)	(11,803)	(8,116)
Other expenses		(214,212)	(207,002)
Profit before taxation		72,227	112,287
Tax expense	28	(20,138)	(29,833)
Net profit for the financial year		52,089	82,454
Basic and diluted earnings per share (sen)	29	52.1	82.5

The accompanying notes form an integral part of the financial statements.

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Net profit for the financial year		52,089	82,454
Other comprehensive income:			
Item that will not be subsequently reclassified to profit or loss:			
Asset revaluation reserve			
Revaluation deficit on self-occupied properties	4	(6,161)	(578)
Tax effect on revaluation deficit	11	1,479	155
		(4,682)	(423)
Item that may be subsequently reclassified to profit or loss:			
Fair value through other comprehensive income ("FVOCI")			
Fair value (loss)/gain on debt instruments designated at FVOCI		(21,921)	11,798
Tax effect on fair value (loss)/gain of FVOCI financial assets	11	5,261	(2,831)
		(16,660)	8,967
Total comprehensive income for the financial year		30,747	90,998

The accompanying notes form an integral part of the financial statements.

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

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

		Non-distributable		Distributable	
	Issued and fully paid ordinary shares RM'000	Asset revaluation reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2020	100,000	20,088	4,875	523,797	648,760
Total comprehensive income for the financial year	-	(423)	8,967	82,454	90,998
At 31 December 2020	100,000	19,665	13,842	606,251	739,758
At 1 January 2021	100,000	19,665	13,842	606,251	739,758
Total comprehensive income for the financial year	-	(4,682)	(16,660)	52,089	30,747
At 31 December 2021	100,000	14,983	(2,818)	658,340	770,505

The accompanying notes form an integral part of the financial statements.

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		52,089	82,454
Adjustment for non-cash items:			
Property and equipment			
- depreciation	4	3,944	4,280
- loss from disposal	23	-	62
- adjustment	4	145	119
Amortisation of intangible assets	6	1,038	937
Depreciation of right-of-use assets	5(a)	944	1,096
Net fair value losses on investment properties	7(b)	1,708	808
Net fair value losses/(gains) from FVTPL financial assets	24	5,861	(975)
Realised gain from disposal of FVOCI financial assets	23	(468)	-
Interest income	22	(35,572)	(42,523)
Distribution income	22	(6,307)	(3,797)
Net rental expenses paid	22	955	278
Net amortisation	22	2,685	627
Write back of impairment allowance for insurance receivables	27	(978)	(1,237)
Write back of impairment allowance for uncollectible service tax	27	-	(1,351)
Bad debts written-off, net of recoveries	27	942	2,145
Interest expense on lease liabilities	5(b)	30	43
Tax expense	28	20,138	29,833
		47,154	72,799
Interest income received		41,253	48,957
Distribution income	22	6,307	3,797
Net rental expenses paid	22	(955)	(278)
Increase in reinsurance assets		(151,315)	(2,790)
Decrease/(Increase) in insurance receivables		13,102	(2,328)
Decrease in deferred acquisition costs	14	1,178	769
Decrease in other receivables		2,204	6,387
Increase in insurance payables		14,676	1,249
Increase/(Decrease) in insurance contract liabilities		131,010	(31,900)
Increase in other payables		24,749	22,729
Increase in deferred acquisition costs - reinsurance	14	547	601
Cash generated from operating activities		129,910	119,992
Income tax paid		(36,224)	(19,813)
Net cash inflows from operating activities		93,686	100,179

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of FVOCI financial assets		(126,722)	(277,087)
Purchase of FVTPL financial assets		(140,408)	(75,247)
Proceeds from maturity of FVOCI financial assets		60,000	65,000
Proceeds from maturity of amortised cost financial assets		130,000	200,000
Purchase of property and equipment	4	(1,942)	(1,568)
Purchase of intangible assets - software	6	(2,143)	(1,510)
Proceeds from disposal of FVOCI financial assets	23	20,468	-
Proceeds from disposal of property and equipment		-	213
Net cash outflows from investing activities		(60,747)	(90,199)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability	5(b)	(978)	(1,135)
Net cash outflows from financing activities		(978)	(1,135)
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,961	8,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		38,089	29,244
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	15	70,050	38,089

The accompanying notes form an integral part of the financial statements.

1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business. The registered office of the Company is located at 9th Floor, Menara Liberty, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur.

There have been no significant changes in the nature of the principal activities during the financial year.

The immediate holding company is Liberty Mutual Insurance Company, a company incorporated in Massachusetts, United States of America. The ultimate holding company is Liberty Mutual Holding Company Inc., a company incorporated in the Massachusetts, United States of America.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Directors on 23 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, unless otherwise stated below, have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 2016 in Malaysia.

The preparation of financial statements in conformity with MFRS requires the use of critical accounting estimates and assumptions that affect the reported amount 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 financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

As at the reporting date, the Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The Company has adopted the new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2021 during the financial year ended 31 December 2021.

The adoption of the new and amended MFRSs disclosed in Note 2(b)(i) during the year has not resulted in any material financial impact to the financial statements.

(b) Amendments to Malaysian Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year except as follows:

(i) Standards effective in current financial year

On 1 January 2021, the Company adopted the following amended MFRSs, which are mandatory for annual financial periods beginning on or after 1 January 2021.

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 (Interest Rate Benchmark Reform Phase 2)	1 January 2021
Amendment to MFRS 16 Leases (Covid-19-Related Rent Concessions beyond 30 June 2021)	1 April 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards issued but not yet effective

The following are standards, amendments to Standards and Interpretations issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations, if applicable, when they become effective:

Description	Effective for annual financial periods beginning on or after
Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018–2020"	1 January 2022
Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment (Property, Plant and Equipment–Proceeds before Intended Use)	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts–Cost of Fulfilling a Contract)	1 January 2022
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements (Disclosure of Accounting Policies)	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards issued but not yet effective (continued)

The new and amended standards and interpretation are not expected to have any material effect on the financial statements in the period of initial application except as discussed below:

(i) MFRS 17 *Insurance Contracts*

In August 2017, the MASB issued MFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which will replace MFRS 4 *Insurance Contracts*.

In contrast to the requirements in MFRS 4, which was an interim standard and are largely based on alterations of previous local accounting policies for measurement purposes, MFRS 17 provides a comprehensive model (the general measurement model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which are expected to typically apply to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows).

- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards issued but not yet effective (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position.

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

MFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. Retrospective application is required. However, if full retrospective application for a Company's insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date. The Company expects that the new standard will result in changes to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on its financial position, results and equity, together with significant changes to presentation and disclosure.

(d) Property and equipment and depreciation

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

All items of property and equipment are initially recorded at cost. Subsequent cost is 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 reliably measured. All other repairs and maintenance are charged to the statement of income during the period in which they are incurred.

Land and buildings, which are substantially occupied by the Company for its operations, are classified under property and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment and depreciation (continued)

Land and buildings are initially stated at cost and are subsequently revalued by independent registered valuers base on the highest and best use of the properties to reflect the fair value of the properties. These properties are revalued at regular intervals of at least once in every three years and with additional valuation in the intervening years to ensure that the carrying amount does not differ materially from the fair value of the properties at the financial year end reporting date.

When the land and buildings are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated as the revalued amount of the asset.

The surplus arising from revaluation of these properties is credited to an asset revaluation reserve account except for surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to the profit or loss. A deficit arising from revaluation of these properties is recognised as an expense except that, a deficit, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserve account and which has not been subsequently reversed or utilised, it is charged directly to that account.

Freehold land is not depreciated as it has infinite life. No depreciation is provided for work-in-progress as it is not ready for active use. Other property and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease
Freehold buildings	50 years
Leasehold buildings	50 years
Motor vehicles	5 years
Furniture and fittings	10 years
Office equipment	10 years
Office renovation	10 years
Computer equipment	5 years

The residual values and useful lives of property and equipment are reviewed, and adjusted as 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(j)(ii) for the accounting policy on impairment of non-financial assets).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment and depreciation (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the profit or loss. On disposal of revalued assets, the amounts in the asset revaluation reserve relating to the assets are transferred to retained earnings.

(e) Intangible assets – software

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, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. 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 5 years on a straight-line basis, with the useful lives being reviewed annually.

(f) Non-current assets held for sale

A non-current asset is classified as asset held for sale and stated at the lower of carrying amount and fair value less cost to sell if its carrying amount is recovered principally through a sale transaction rather than through continuing use. The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale is highly probable.

(g) Investment properties

Investment properties, comprising principally of land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open-market value determined by independent accredited valuer. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are revalued at regular intervals of at least once in every three years and with additional valuation in the intervening years to ensure that the carrying amount does not differ materially from the fair value of the properties at the financial year end reporting date. Changes in fair values are recorded in the profit or loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss in the year of the retirement or disposal.

(h) Leases

(i) As Lessee

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see Note 2(d)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

(ii) As Lessor

The Company classifies all leases for which it is a lessor as operating leases, because each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a time apportionment basis and are reported as rental income. The accounting policy for rental income is set out in Note 2(r).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and financial liabilities

The Company classifies its financial assets into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVTPL"). The classification of the financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics ("SPPI test") and the business model for managing them.

The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest. This assessment is performed at an instrument level.

The business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(i) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. After initial measurement, financial assets at amortised cost is measured at amortised cost, using effective yield method, less allowance for impairment. Gains and losses are recognised in the profit or loss when the financial assets at amortised cost are derecognised or impaired, as well as through the amortisation process.

(ii) Financial assets at FVOCI

Financial assets at FVOCI are non-derivative financial assets that are not classified as FVTPL or at amortised cost. Financial assets at FVOCI are initially recognised at fair value. The Company measures debt instruments at FVOCI if both of the following conditions are met:

(a) The financial asset is held within a business model with the objective to achieve both collecting contractual cash flows and selling of the debt instruments; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and financial liabilities (continued)

(ii) Financial assets at FVOCI (continued)

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as financial assets measured at amortised cost. The remaining fair value changes are recognised in statement of comprehensive income. Upon derecognition, the cumulative fair value change recognised in statement of comprehensive income is recycled to statement of profit or loss.

For equity instruments at FVOCI, upon initial recognition, the Company can elect to classify irrevocably its equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses from equity instruments at FVOCI are never recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in statement of comprehensive income. Equity instruments at FVOCI are not subject to impairment assessment.

The Company has made an irrevocable election under MFRS 9 to classify the unquoted equities as FVOCI, with no recycling allowed.

(iii) Financial assets at FVTPL

Financial assets are classified as FVTPL if the financial assets are held for trading or are managed on a fair value basis. Other financial assets with contractual cash flow that are not solely payments of principal and interest, regardless of its business model are classified as FVTPL.

Certain financial assets that otherwise meets the requirements to be either measured at amortised cost or at FVOCI, may irrevocably be designated at FVTPL on initial recognition, when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These investments are initially recorded at fair value. Subsequent to initial recognition these investments are measured at the fair value. Fair value adjustments and realised gains and losses are recognised in the profit or loss.

Financial assets at FVTPL consists mainly equity instruments and collective investment schemes. The equity instruments are measured at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and financial liabilities (continued)

(iv) Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual obligations of the financial instruments.

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in the statement of profit or loss.

(v) Derecognition of financial assets and liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired;

- The Company retains the contractual right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party; or

- The Company has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset; or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and financial liabilities (continued)

(v) Derecognition of financial assets and liabilities (continued)

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit or loss. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(j) Impairment

(i) Impairment of financial assets

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. Insurance receivables is deemed past due when the counterparty has failed to make payment when the outstanding amounts are contractually due i.e. a default occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Impairment of financial assets (continued)

There is rebuttable presumption that the credit risk of the insurance receivables has increased significantly since initial recognition when contractual payments are more than 90 days past due. However, this presumption is rebutted with reasonable and supportable information that is available to demonstrate the credit risk has not increased significantly since initial recognition of the default even though the contractual payments are more than 90 days past due. This is addressed through assessment of the expected credit loss on insurance receivables using a provision matrix which specify fixed provision rates depending on the number of days that a trade receivable is past due. MFRS 9 allows the calculation of the expected credit losses on trade receivables using a provision matrix. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two measurement bases. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Impairment of financial assets (continued)

The Company's debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category (rated AA and above) by Rating Agency of Malaysia (RAM) and Malaysian Rating Corporation (MARC) and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination whereby an investment grade bond (BBB and above) falls under a non-investment grade bond (below BBB), the allowance will be based on the lifetime ECL. The Company uses ratings from RAM and MARC to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For financial assets including insurance receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company established a provision matrix that is based on its historical credit loss experience, adjusted with forward-looking information.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that has been impaired are reviewed for possible reversal of the impairment at each reporting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Insurance receivables

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

Insurance receivable are derecognised when the derecognition criteria for the financial assets, as described in Note 2(i)(v), have been met.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits which have original remaining tenure of less than three months that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude fixed and call deposits which are held for investment purposes.

(m) Insurance payables and other payables

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

Insurance payables and other payables are derecognised when the obligation under the liability is settled, cancelled or expired.

(n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

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

(p) Product classification

The Company issues contracts that transfer insurance risk

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(q) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, premium liabilities and claims liabilities.

(i) Premium income

Premium income is 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 insurance policies. Premiums in respect of risks incepted for which policies have not been issued as of the date of the statement of financial position are accrued at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(i) Premium income (continued)

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

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

(ii) 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 statement of financial position, based on an actuarial valuation.

(iii) 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. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(iv) Deferred acquisition costs ("DAC")

DAC is calculated based on the methodology prescribed by BNM on the computation of unearned premium reserves ("UPR").

The gross DAC at the date of the statement of financial position is computed as follows:

(i) 25% method for marine cargo, aviation cargo and transit;

(ii) gross premiums under daily time apportionment method for all other classes of Malaysian general policies multiplied by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;

(iii) gross premiums under 1/8th method for all classes of overseas inward business multiplied by 20% for acquisition costs; and

(iv) gross premiums under time apportionment method for policies with insurance periods other than 12 months multiplied by the corresponding percentage of gross commission.

The reinsurance DAC at the date of the statement of financial position is computed as follows:

(i) reinsurance premiums ceded which are allowed under 25% method for marine cargo, aviation cargo and transit;

(ii) reinsurance premiums ceded which are allowed under daily time apportionment method for all other classes of Malaysian general policies multiplied by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;

(iii) reinsurance premiums ceded which are allowed under 1/8th method for all classes of overseas inward business multiplied by 20% for acquisition costs; and

(iv) reinsurance premiums ceded which are allowed under time apportionment method for policies with insurance periods other than 12 months multiplied by the corresponding percentage of gross commission.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(v) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its business. Reinsurance assets represent balances due from reinsurance companies for insurance contract liabilities which have yet to be settled as at the reporting date. Reinsurance assets 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. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period.

Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amount due under the terms of the contract and the event has a reliable measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

Gains or losses on buying reinsurance are recognised in the profit or loss immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

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

(vi) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital Framework for Insurers issued by BNM.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(vi) Insurance contract liabilities (continued)

These liabilities comprise premium liabilities and claims liabilities.

Premium liabilities

Premium liabilities are the higher of:

(a) the aggregate of the unearned premium reserves ("UPR"); or

(b) 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 allows for expected future premium refunds.

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year. Generally, the UPR is released over the term of the contract and is recognised as premium income.

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

(i) 25% method for marine cargo, aviation cargo and transit;

(ii) daily time apportionment method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;

(iii) 1/8th method for all other classes of overseas inward business with a deduction of 20% for acquisition costs; and

(iv) time apportionment method for policies with insurance periods other than 12 months.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(vi) Insurance contract liabilities (continued)

Claims liabilities

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

(vii) Liability adequacy test on insurance contract liabilities

PRAD is calculated at overall Company level and is an additional component of liability value aimed at ensuring the value of insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the liability will ultimately be sufficient. For the purpose of insurance contract liabilities valuation, the level of confidence is set at 75% at an overall Company level.

At each date of the statement of financial position, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and DAC over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the profit or loss initially by writing off DAC and by subsequently establishing a provision for liability adequacy.

(r) 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. Interest income is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Other revenue recognition (continued)

The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Other interest income, including the amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Dividend income is recognised in the financial statements when the right to receive payment is established.

Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and rent due remains outstanding, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

Gains or losses arising from disposal of financial assets are credited or charged to the profit or loss.

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, social security contributions and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Defined contribution plan (continued)

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Company's contributions to the defined contribution plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligation.

(iii) Termination benefits

Termination benefits are payable to an entitled employee whenever the employment has to be terminated before the normal retirement date or when the employee accepts voluntary separation in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(t) Income taxes

Income tax on the profit or loss comprises current tax and deferred tax.

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

Deferred tax is provided for using the liability method, on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 profits 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 the 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 profit.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income taxes (continued)

Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised in statement of comprehensive income, in which case the deferred tax is also charged or credited to statement of comprehensive income.

(u) Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional and presentation currency of the Company.

Foreign currency transactions are translated into Ringgit Malaysia at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated at the rates of exchange prevailing at reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Fair value estimation for disclosure purposes

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. An annual valuation is performed to reflect the fair value of the Company's self-occupied and investment properties. At the end of each financial year, management appoints independent accredited property valuers to perform the annual valuation.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The basis of estimation of fair values for financial instruments is as follows:

(i) The fair values of unquoted corporate debt securities are based on the indicative market prices obtained from Bond Pricing Agency Malaysia ("BPAM").

(ii) The fair value of collective investment schemes are based on net asset value of the funds.

(iii) The carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(iv) Fair value of unquoted equity instruments are based on expected recoverable value. These equity instruments represent ordinary shares in companies that are not quoted on any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Fair value estimation for disclosure purposes (continued)

Fair value measurements are classified using a fair value hierarchy based on the observability of the inputs used in the fair value measurement.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed in accordance with the adopted accounting policies.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical judgements in applying the entity's accounting policies

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The Company have not applied any significant judgements in preparing the financial statements.

3.2 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Valuation of general insurance contract liabilities (Note 19)

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR while claim liabilities mainly comprise of estimates 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 reported ("IBNR").

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Critical accounting estimates and assumptions (continued)

(i) Valuation of general insurance contract liabilities (Note 19) (continued)

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some types of policies, IBNR claims form the majority of liabilities in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projections techniques, such as the Chain Ladder and the Bornhuetter–Ferguson methods.

The main assumptions 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 significant business lines and claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development date on which the projections are based.

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

At each reporting date, the estimates of premium and claim liabilities are re-assessed for adequacy by the Appointed Actuary and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuary is approved by BNM.

Note 34 provides a sensitivity analysis on the effects of changes in key assumptions on the carrying value of insurance contract liabilities as well as the consequential impacts to profit or loss and equity.

4. PROPERTY AND EQUIPMENT

	Freehold land RM'000	*Long-term leasehold land RM'000	Freehold buildings RM'000	Building on leasehold land RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 January 2021	2,696	19,339	3,369	34,489	130	1,020	699	2,398	3,625	67,765
Additions at cost	-	-	-	-	-	-	64	538	1,340	1,942
Depreciation charge for the financial year (Note 27)	-	(305)	(181)	(1,236)	-	(217)	(158)	(523)	(1,324)	(3,944)
Revaluation deficit recognised in other comprehensive income	-	105	186	(6,452)	-	-	-	-	-	(6,161)
Internal reclassifications and adjustments**	-	-	(5)	(10)	-	-	-	(130)	-	(145)
Net book value at 31 December 2021	2,696	19,139	3,369	26,791	130	803	605	2,283	3,641	59,457
At 31 December 2021										
Cost	-	-	-	-	212	3,648	2,958	7,972	13,397	28,187
Valuation	2,696	19,139	3,369	26,791	-	-	-	-	-	51,995
Accumulated depreciation	-	-	-	-	(82)	(2,845)	(2,353)	(5,689)	(9,756)	(20,725)
Net book value	2,696	19,139	3,369	26,791	130	803	605	2,283	3,641	59,457

*Long-term leasehold land is a ROU asset in accordance with MFRS 16 (Note 5(a)).
**The reclassifications and adjustments is inclusive of depreciation charge in relation to services provided to MMIP of RM14,681.

4. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	*Long-term leasehold land RM'000	Freehold buildings RM'000	Building on leasehold land RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 January 2020	2,716	19,329	3,389	36,791	414	1,238	788	2,698	4,086	71,449
Additions at cost	-	-	-	-	-	-	84	210	1,274	1,568
Disposal at net book value	-	-	-	-	(274)	(1)	-	-	-	(275)
Depreciation charge for the financial year (Note 27)	-	(299)	(171)	(1,197)	(10)	(217)	(159)	(478)	(1,749)	(4,280)
Revaluation deficit recognised in other comprehensive income	(20)	309	156	(1,023)	-	-	-	-	-	(578)
Internal reclassifications and adjustments**	-	-	(5)	(82)	-	-	(14)	(32)	14	(119)
Net book value at 31 December 2020	2,696	19,339	3,369	34,489	130	1,020	699	2,398	3,625	67,765
At 31 December 2020										
Cost	-	-	-	-	212	3,648	2,894	7,563	12,057	26,374
Valuation	2,696	19,339	3,369	34,489	-	-	-	-	-	59,893
Accumulated depreciation	-	-	-	-	(82)	(2,628)	(2,195)	(5,165)	(8,432)	(18,502)
Net book value	2,696	19,339	3,369	34,489	130	1,020	699	2,398	3,625	67,765

*Long-term leasehold land is a ROU asset in accordance with MFRS 16 (Note 5(a)).
**The reclassifications and adjustments is inclusive of depreciation charge in relation to services provided to MMIP of RM86,562.

4. PROPERTY AND EQUIPMENT (CONTINUED)

During the current financial year, the Company revalued its self-occupied freehold and long-term leasehold land and buildings based on independent valuations performed by Rahim & Co. Chartered Surveyors Sdn. Bhd., an accredited independent valuer.

Recurring fair value measurements

All freehold and long-term leasehold properties of the Company are classified within Level 3 of the fair value hierarchy. The fair values for all the properties have been derived using the sales comparison approach as allowed under MFRS 13 *Fair Value Measurement*. Sales prices of comparable land and buildings, rentals and yields of similar properties in close proximity are adjusted for differences in key attributes such as property size, location and quality of the building. The most significant input used in the sales comparison approach is price per square foot of comparable properties.

Had the freehold and long-term leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been included in the financial statements at the end of the year are as follows:

	2021 RM'000	2020 RM'000
Freehold land and buildings	1,385	1,461
Long-term leasehold land and buildings	33,878	34,926
	35,263	36,387

The long-term leasehold land have unexpired lease periods ranging from 57 years to 873 years (2020: 58 years to 874 years).

4. PROPERTY AND EQUIPMENT (CONTINUED)

(i) Fair value hierarchy of Properties

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3 of the fair value hierarchy):

2021 Description	Fair Value RM'000	Valuation technique	Unobservable input	Range of values
Freehold land and buildings	6,065	Comparison approach	Estimated Value per square feet ("p.s.f")	RM122 - RM454
Long-term leasehold land and buildings	3,600	Comparison approach	Estimated Value p.s.f	RM117 - RM371
Long term leasehold land and buildings	42,330	Income approach	Estimated Value p.s.f	RM3.00 - RM3.60
			Discount rate	4.5% - 5.0%

2020 Description				
Freehold land and buildings	6,065	Comparison approach	Estimated Value per square feet ("p.s.f")	RM122 - RM459
Long-term leasehold land and buildings	3,600	Comparison approach	Estimated Value p.s.f	RM69 - RM368
Long-term leasehold land and buildings	50,228	Income approach	Estimated Value p.s.f	RM3 - RM4
			Discount rate	4.5% - 5.0%

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value measurement.

4. PROPERTY AND EQUIPMENT (CONTINUED)

(ii) Movements in properties measured at fair value

The following table presents the reconciliation for all self-occupied properties measured at fair value based on significant unobservable inputs (Level 3 of the fair value hierarchy) as disclosed in Note 4(i) and the corresponding revaluation surplus recognised in statement of comprehensive income.

	Self-occupied properties Fair value measurements using significant unobservable inputs (Level 3)	
	2021	**2020**
	RM'000	**RM'000**
Opening balance	59,893	62,225
Depreciation for the financial year	(1,722)	(1,667)
Revaluation deficit recognised in other comprehesive income	(6,161)	(578)
Depreciation charge in relation to services provided to MMIP	(15)	(87)
Closing balance	51,995	59,893

5(a). RIGHT-OF-USE ASSETS ("ROU ASSETS")

	Office premise RM'000	IT and Office equipment RM'000	Total RM'000
Cost			
At 1 January 2020	1,486	1,939	3,425
Additions	357	-	357
At 31 December 2020/1 January 2021	1,843	1,939	3,782
Additions	577	-	577
At 31 December 2021	2,420	1,939	4,359
Accumulated depreciation			
At 1 January 2020	(796)	(449)	(1,245)
Charge for the year (Note 27)	(647)	(449)	(1,096)
At 31 December 2020/1 January 2021	(1,443)	(898)	(2,341)
Charge for the year (Note 27)	(495)	(449)	(944)
At 31 December 2021	(1,938)	(1,347)	(3,285)
Net Book Value			
At 31 December 2021	482	592	1,074
At 31 December 2020	400	1,041	1,441

This note provides information for leases where the Company is a lessee.

The Company has entered into operating lease agreements for computer equipment and office premises. These non-cancellable leases have remaining non-cancellable lease terms of between less than 1 year and 3 years. There are several lease contracts that include extension and termination options.

The following are the amounts recognised in statement of profit or loss:

	2021 RM'000	2020 RM'000
Depreciation expense of ROU assets (Note 27)	944	1,096
Interest expense on lease liabilities (Note 27)	30	43
Total amount recognised in profit or loss	974	1,139

Other assets recognised as ROU assets but not disclosed in this note are as follows:

	2021 Property and equipment RM'000	2020 Property and equipment RM'000
Leasehold land (Note 4)	19,139	19,339

5(b). LEASE LIABILITIES

	Office premise RM'000	IT and Office equipment RM'000	Total RM'000
Lease liabilities			
At 1 January 2020	696	1,509	2,205
Increase in lease liabilities	357	-	357
Payment of lease liabilities	(662)	(473)	(1,135)
Interest expense on lease liabilities (Note 27)	12	31	43
At 31 December 2020/1 January 2021	403	1,067	1,470
Increase in lease liabilities	577	-	577
Payment of lease liabilities	(505)	(473)	(978)
Interest expense on lease liabilities lease liabilities (Note 27)	10	20	30
At 31 December 2021	485	614	1,099

6. INTANGIBLE ASSETS - SOFTWARE

	2021 RM'000	2020 RM'000
Cost	15,624	13,481
Accumulated amortisation	(12,026)	(10,988)
Net book value	3,598	2,493
<u>Net book value</u>		
At beginning of the financial year	2,493	1,920
Additions at cost	2,143	1,510
Amortisation for the financial year (Note 27)	(1,038)	(937)
At end of the financial year	3,598	2,493

7(a). NON CURRENT ASSETS HELD FOR SALE

	2021 RM'000	2020 RM'000
Long-term freehold land and building	-	6,600

The Management has obtained approval to dispose a property consisting of four floors at a price of RM6,600,000. Circumstances developed since the classification of the asset that were previously considered unlikely and, as a result, the asset was not sold at reporting date. The property has been reclassified to investment properties.

7(b). INVESTMENT PROPERTIES

	Freehold land and building RM'000	Leasehold land and building RM'000	Total RM'000
At fair value:			
At 1 January 2020	9,000	20,528	29,528
Net fair value losses (Note 24)	-	(808)	(808)
At 31 December 2020/1 January 2021	9,000	19,720	28,720
Net fair value gains/(losses) (Note 24)	400	(2,108)	(1,708)
Transferred from non-current assets held for sale (Note 7(a))	6,600	-	6,600
At 31 December 2021	16,000	17,612	33,612

The rental income and operating expenses in relation to investment properties are as disclosed in Note 22.

During the current financial year, the Company revalued its freehold and long-term leasehold properties which are held as investment properties based on independent valuations performed by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent accredited valuer. Net fair value loss on investment properties for the financial year was RM1,708,000 (2020: Net fair value loss of RM808,000).

Recurring fair value measurements

All freehold and long-term leasehold properties of the Company are classified within Level 3 of the fair value hierarchy. The fair values for all the properties have been derived using either the sales comparison approach or the income approach as allowed under MFRS 13 *Fair Value Measurement*. Sales prices of comparable land and buildings, rentals and yields of similar properties in close proximity are adjusted for differences in key attributes such as property size, location and quality of the building. The most significant input used in the sales comparison approach is price per square foot of comparable properties while the most significant inputs used in the income approach are yields and rental rates per square foot of comparable properties.

The titles to the freehold land and buildings included in investment properties of the Company with a carrying value of RM16,000,000 (2020: RM9,000,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

7(b). INVESTMENT PROPERTIES (CONTINUED)

(i) Fair value hierarchy of Investment Properties

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3 of the fair value hierarchy):

2021 **Description**	**Fair Value** **RM'000**	**Valuation** **technique**	**Unobservable input**	**Range of values**
Leasehold land and buiding	17,612	Income approach	Rental p.s.f. per month	RM3.30 - RM9.00
			Discount rate	4.5% - 6.5%
Freehold land	16,000	Comparison approach	Estimated Value p.s.f.	RM104 - RM350

2020 **Description**	**Fair Value** **RM'000**	**Valuation** **technique**	**Unobservable input**	**Range of values**
Leasehold land and buiding	19,720	Income approach	Rental p.s.f. per month	RM3.30 - RM9.00
			Discount rate	4.5% - 6.5%
Freehold land	9,000	Comparison approach	Estimated Value p.s.f.	RM109 - RM120

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value measurement.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

(i) Financial assets at FVOCI comprise the following investments:

	2021 RM'000	2020 RM'000
Malaysian government papers	413,537	441,895
Unquoted equity securities in Malaysia*	-	-
Unquoted corporate debt securities in Malaysia	251,575	200,729
	665,112	642,624

*This denotes that the fair value of unquoted equities as at 31 December 2021 and 31 December 2020 is RM1.

(ii) Fair value hierarchy of financial assets at FVOCI

Recurring fair value measurements

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used in the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Those include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 - Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. There are no readily available prices for unquoted stocks. Adjusted Net Tangible Assets ("NTA") method was used to value the stocks whereby adjusted net assets are divided by the share capital to obtain the price per share.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

(ii) Fair value hierarchy of financial assets at FVOCI (continued)

Recurring fair value measurements (continued)

The following table show financial assets at FVOCI at 31 December 2021 and 31 December 2020 recorded at fair value analysed by the different bases of fair values as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2021				
Malaysian government papers	-	413,537	-	413,537
Unquoted equity securities in Malaysia*	-	-	-	-
Unquoted corporate debt securities in Malaysia	-	251,575	-	251,575
	-	665,112	-	665,112
31 December 2020				
Malaysian government papers	-	441,895	-	441,895
Unquoted equity securities in Malaysia*	-	-	-	-
Unquoted corporate debt securities in Malaysia	-	200,729	-	200,729
	-	642,624	-	642,624

*This denotes that the fair value of unquoted equities as at 31 December 2021 and 31 December 2020 is RM1.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

(i) Financial assets at FVTPL comprise the following investments:

	2021 RM'000	2020 RM'000
At fair value:		
Collective Investment Schemes	270,849	136,302

Details of the Company's investment in collective investment schemes in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company 2021	2020
United Institutional Income Fund 2	Investment in debt securities	50.8%	43.1%
Opus Institutional Income Fund	Investment in debt securities	3.6%	3.9%
Hong Leong Wholesale Bond Fund	Investment in debt securities	18.9%	-

The fair value hierarchy of the collective investment schemes is level 2. The three-level hierarchy is defined in Note 8(ii).

10. FINANCIAL ASSETS AT AMORTISED COST

	2021 RM'000	2020 RM'000
Fixed and call deposits with licensed banks held for investment purposes	451,300	581,300
Accrued interest	3,453	9,506
Total financial assets at amortised cost	454,753	590,806

11. DEFERRED TAX ASSETS/(LIABILITIES)

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:

	2021 RM'000	2020 RM'000
Deferred tax assets/(liabilities)	9,776	(2,433)
At beginning of the financial year	(2,433)	(2,866)
Credited/(charged) to income statement (Note 28)	5,469	3,109
- property and equipment	(44)	(9)
- ROU assets	12	(8)
- investment properties	409	194
- FVOCI financial assets	479	167
- FVTPL financial assets	1,406	(234)
- retirement benefits	156	37
- insurance receivables	(111)	(65)
- other payables	2,977	3,062
- premium liabilities	185	(35)
Credited/(charged) to equity		
Asset revaluation reserve		
Property and equipment	1,479	155
FVOCI		
FVOCI financial assets	5,261	(2,831)
At end of the financial year	9,776	(2,433)
Deferred tax assets (before offsetting)		
Insurance receivables	169	280
Retirement benefits	466	310
Other payables	13,507	10,530
	14,142	11,120
Offsetting	(4,366)	(11,120)
Deferred tax assets (after offsetting)	9,776	-

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	2021 RM'000	2020 RM'000
Deferred tax liabilities (before offsetting)		
Property and equipment	4,394	5,829
ROU assets	2	14
Investment properties	2,205	2,614
FVOCI financial assets	(951)	4,789
FVTPL financial assets	(1,153)	253
Premium liabilities	(131)	54
	4,366	13,553
Offsetting	(4,366)	(11,120)
Deferred tax liabilities (after offsetting)	-	2,433

12. REINSURANCE ASSETS

	2021 RM'000	2020 RM'000
Reinsurance of insurance contracts:		
Claim liabilities (Note 19)	216,268	68,843
Premium liabilities (Note 19)	35,263	31,373
	251,531	100,216

13(a). INSURANCE RECEIVABLES

	2021 RM'000	2020 RM'000
Due premium including agents, brokers and co-insurers balance	10,226	22,480
Due from reinsurers and cedants	15,444	16,451
	25,670	38,931
Accumulated impairment losses	(1,903)	(2,881)
	23,767	36,050
Knock-for-knock claims recoveries due from other insurers	353	1,136
	24,120	37,186

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity.

13(a). INSURANCE RECEIVABLES (CONTINUED)

The insurance receivables from related parties of the Company are being disclosed in Note 31.

The insurance receivables of the Company that have been offset as at the statement of financial position date are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
31 December 2021			
Premiums	27,189	(3,655)	23,534
Commissions	451	(4,569)	(4,118)
Claims	6,607	-	6,607
	34,247	(8,224)	26,023
31 December 2020			
Premiums	58,720	(21,831)	36,889
Commissions	4,998	(8,423)	(3,425)
Claims	6,603	-	6,603
	70,321	(30,254)	40,067

13(b). OTHER RECEIVABLES

	2021 RM'000	2020 RM'000
Malaysian Motor Insurance Pool ("MMIP" or "the Pool") balances*	45,114	48,349
MMIP commission receivable	143	173
Deposits	896	923
Prepayments	806	800
Other receivables	2,229	1,147
	49,188	51,392

13(b). OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the other receivables (excluding prepayments) disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity, except for share of MMIP's assets. The other receivables from related parties of the company are being disclosed in Note 31.

* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its proportionate share of the assets, liabilities and financial performance of the Pool. The net assets held under MMIP represent the Company's proportionate share of the Pool's net assets, before insurance contract liabilities. The Company's proportionate share of the Pool's insurance contract liabilities is disclosed in Note 19. The net assets held under MMIP of the Company include cash contribution of RM19,006,332 (2020: RM20,006,332) made to MMIP. The accumulated cash contributions were made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014.

14. DEFERRED ACQUISITION COSTS

	2021 RM'000	2020 RM'000
Deferred acquisition costs:		
At beginning of the financial year	31,149	31,918
Movement during the financial year (Note 25)	(1,178)	(769)
At end of the financial year	29,971	31,149
Deferred acquisition costs - reinsurance:		
At beginning of the financial year	(3,911)	(3,310)
Movement during the financial year (Note 25)	(547)	(601)
At end of the financial year	(4,458)	(3,911)

15. CASH AND SHORT TERM DEPOSITS

	2021 RM'000	2020 RM'000
Cash and bank balances	22,239	4,038
Short term deposits with licensed banks with original maturities of 3 months or less	47,811	34,051
Cash and cash equivalents	70,050	38,089

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity.

16. SHARE CAPITAL

	2021		2020	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares:				
Issued and fully paid	100,000	100,000	100,000	100,000

17. OTHER RESERVES

	2021 RM'000	2020 RM'000
Non-distributable		
Asset revaluation reserve	14,983	19,665
FVOCI reserve	(2,818)	13,842
	12,165	33,507

Asset revaluation reserve represents surplus arising from revaluation of self-occupied properties. Fair value movements arising from FVOCI financial assets are accumulated as FVOCI reserve until they are realised.

18. RETAINED EARNINGS

The Company can distribute all of its retained earnings as at 31 December 2021 as single-tier dividends.

19. INSURANCE CONTRACT LIABILITIES

	2021			2020		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
General insurance	996,401	(251,531)	744,870	865,391	(100,216)	765,175

The general insurance contract liabilities and the movement during the year are further analysed as follows:

	2021			2020		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Provision for claims	504,491	(150,313)	354,178	401,387	(43,728)	357,659
Provision for incurred but not reported ("IBNR") claims	198,984	(65,955)	133,029	155,003	(25,115)	129,888
Claim liabilities (i)	703,475	(216,268)	487,207	556,390	(68,843)	487,547
Premium liabilities (iii)	292,926	(35,263)	257,663	309,001	(31,373)	277,628
	996,401	(251,531)	744,870	865,391	(100,216)	765,175

19. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claim liabilities

	2021			2020		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At beginning of the financial year	556,390	(68,843)	487,547	584,400	(69,776)	514,624
Claims incurred for the current accident year (direct and facultative)	431,091	(165,598)	265,493	326,962	(37,203)	289,759
Adjustment to claims incurred in prior accident years (direct and facultative)	(18,356)	9,446	(8,910)	(31,136)	2,997	(28,139)
Claims incurred during the financial year (treaty inwards claims)	(2,443)	-	(2,443)	(527)	-	(527)
Movement in PRAD of claims liabilities at 75% confidence level	24,043	(23,914)	129	(1,935)	272	(1,663)
Movement in claims handling expenses	630	-	630	1,400	-	1,400
Claims paid during the financial year	(287,880)	32,641	(255,239)	(322,774)	34,867	(287,907)
At end of the financial year	703,475	(216,268)	487,207	556,390	(68,843)	487,547

19. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Claim liabilities by class of business

	2021 Motor RM'000	2021 Non-motor RM'000	2021 Total RM'000	2020 Motor RM'000	2020 Non-motor RM'000	2020 Total RM'000
Gross claim liabilities	478,871	224,604	703,475	492,017	64,373	556,390
Reinsurance	(24,895)	(191,373)	(216,268)	(29,521)	(39,322)	(68,843)
Net claim liabilities	453,976	33,231	487,207	462,496	25,051	487,547

(iii) Premium liabilities

	2021 Gross RM'000	2021 Re-insurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Re-insurance RM'000	2020 Net RM'000
At beginning of the financial year	309,001	(31,373)	277,628	312,891	(27,650)	285,241
Premiums written during the financial year	580,961	(112,061)	468,900	594,696	(90,555)	504,141
Premiums earned during the financial year	(597,036)	108,171	(488,865)	(598,586)	86,832	(511,754)
At end of the financial year	292,926	(35,263)	257,663	309,001	(31,373)	277,628

As at 31 December 2021, the insurance contract liabilities above include the Company's proportionate share of MMIP's claims and premium liabilities amounting to RM22,814,592 (2020: RM28,062,811) and RM903,127 (2020: RM1,834,583) respectively. The Company's net exposure arising from its participation in the Pool is detailed in Note 35.

20. INSURANCE PAYABLES

	2021 RM'000	2020 RM'000
Due to insurers, agents, brokers and co-insurers	21,606	20,892
Due to reinsurers and cedants	32,217	18,255
	53,823	39,147

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity.

All amounts are payable within one year.

The insurance payables to related parties of the Company are being disclosed in Note 31.

The insurance payables of the Company that have been offset as at the statement of financial position date are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
31 December 2021			
Premiums	58,980	(4,791)	54,189
Commissions	134	(4,889)	(4,755)
Claims	861	3,528	4,389
	59,975	(6,152)	53,823
31 December 2020			
Premiums	58,902	(6,483)	52,419
Commissions	875	(7,205)	(6,330)
Claims	1,553	(8,495)	(6,942)
	61,330	(22,183)	39,147

21. OTHER PAYABLES

	2021 RM'000	2020 RM'000
Provision for staff benefits	14,036	13,754
Defined contribution plan *	1,940	1,291
Service tax payable	5,761	5,881
Unclaimed monies	906	738
Cash collaterals held on bond business	657	657
Stamp duty payable	674	760
MMIP collection payable	923	1,328
Profit commission payable	9,210	4,392
Tenant deposits	1,054	1,054
Accrued expenses	31,979	24,693
Provision of financial penalty by MyCC **	8,116	8,116
Accrual of business acquisition expense	11,027	-
Other payables	3,603	2,473
	89,886	65,137

* The Company contributes to the Employees' Provident Fund, the national defined contribution scheme. Additionally, the Company makes an accrual for services provided by eligible employees after 31 December 2001 until the 5th year of service, after which time the accrual is paid into the individual employees' EPF accounts.

** The Malaysia Competition Commission ("MyCC") issued a finding of infringement against the Company, Persatuan Insuran Am Malaysia ("PIAM") and 21 other general insurance companies despite the conduct allegedly giving rise to the infringement being undertaken pursuant to a written direction of the Company's sectoral regulator BNM. The Company's share of the financial penalty imposed by MyCC amounts to RM8,115,998. The Company has made a provision for the purported financial penalty, the Company does so without any admission of liability, which the Company denies in its entirety. MyCC also imposed certain behavioural remedies upon the Company and the other insurers. The Company has been advised by its appointed counsel ("its Counsel") that there is no basis nor justification for MyCC's decision and findings and that the Company should challenge the same.

The Company will challenge and resist MyCC's decision as the Company takes the position that it has not committed any infringement of Malaysian Competition law. The Company has instructed its Counsel to challenge MyCC's decision and thus far this includes, amongst others, the lodgement of an appeal to the Competition Appeal Tribunal and the application for a stay of MyCC's decision in appropriate terms. The legal status of the case is disclosed under Note 37.

The carrying amounts of the financial liabilities (excluding provision for staff benefits and provision of financial penalty) disclosed above approximate fair values at the date of the statement of financial position due to their short term maturities.

22. INVESTMENT INCOME

	2021 RM'000	2020 RM'000
FVOCI financial assets:		
Interest income from Malaysian government papers	16,208	12,401
Interest income from corporate debt securities	8,095	6,951
Net amortisation	(2,684)	(627)
FVTPL financial assets:		
Distribution income from Collective Investment Schemes	6,307	3,797
Amortised cost financial assets:		
Interest income from loans and receivables and cash and short term deposits	11,269	23,171
Rental income net expenses	(955)	(278)
	38,240	45,415

23. REALISED GAINS/(LOSSES)

	2021 RM'000	2020 RM'000
Realised gains/(losses) for:		
- Property and equipment	-	(62)
- Disposal of unquoted corporate debt securities	468	-
- Foreign currency translation	(52)	(2)
	416	(64)

24. NET FAIR VALUE GAINS/(LOSSES)

	2021 RM'000	2020 RM'000
Fair value gains/(losses) on investment properties:		
- Leasehold land and building (Note 7(b))	(2,108)	(808)
- Freehold land and building (Note 7(b))	400	-
Fair value (losses)/gains on Collective Investment Schemes	(5,861)	975
	(7,569)	167

25. COMMISSION INCOME/(EXPENSE)

	2021 RM'000	2020 RM'000
Commission income:		
Commission income	21,578	18,808
Movement in deferred acquisition costs (Note 14)	(547)	(601)
	21,031	18,207
Commission expense:		
Commission expense	(73,346)	(67,429)
Movement in deferred acquisition costs (Note 14)	(1,178)	(769)
	(74,524)	(68,198)

26. OTHER OPERATING INCOME

	2021 RM'000	2020 RM'000
Gross servicing fees from MMIP	1,142	2,030
Less: Related management expenses including depreciation charge of RM14,681 (2020: RM86,562) (Note 27)	(947)	(1,148)
	195	882
Interest on deposits retained	(21)	(11)
Others	181	3,769
	355	4,640

27(a). MANAGEMENT EXPENSES

	2021 RM'000	2020 RM'000
Staff costs:		
Salaries, bonus and allowance	53,657	53,442
Employees' Provident Fund Contribution	7,987	7,714
Defined Contribution Plan	945	449
Other benefits	6,628	7,415
	69,217	69,020
Advertising and promotions	19,421	21,892
Directors' fees	571	538
Directors' allowances	132	113
Auditors' remuneration:		
- Statutory audit fees	484	416
- Regulatory-related fees	19	18
Depreciation of property and equipment (Note 4)	3,944	4,280
Amortisation of intangible assets - software (Note 6)	1,038	937
Interest and expense on Lease Liabilities (Note 5(b))	30	43
Depreciation of ROU assets (Note 5(a))	944	1,096
EDP expenses	6,043	5,483
Postage and telephone	2,483	2,396
Printing and stationery	3,404	4,329
Training expenses	3,570	4,880
Reimbursement of depreciation charge from MMIP (Note 26)	(15)	(87)
Write back impairment allowance for uncollectible service tax	-	(1,351)
Write back impairment allowance for insurance receivables	(978)	(1,237)
Bad debts written-off, net of recoveries	942	2,145
Professional fees	1,660	805
Entertainment	1,001	1,766
Credit card charges	5,264	5,964
Others	8,711	7,242
	58,668	61,668
Total management expenses	127,885	130,688

27(a). MANAGEMENT EXPENSES (CONTINUED)

Emoluments received by Directors of the Company during the financial year are further detailed below:

	2021 RM'000	2020 RM'000
Non-Executive Directors:		
- Fees	571	538
- Other emoluments	132	113
Total Directors' remuneration	703	651

	2021 Fees RM'000	2021 Allowance RM'000	2021 Total RM'000
Non-Executive Directors			
- YBhg. Dato' Haji Kamil Khalid Ariff	175	36	211
- YBhg. Dato' Lim Heen Peok	137	35	172
- Mr Keong Choon Keat	127	29	156
- Mdm Elsie Kok Yin Mei	132	32	164
Total Directors' remuneration	571	132	703

	2020 Fees RM'000	2020 Allowance RM'000	2020 Total RM'000
Non-Executive Directors			
- YBhg. Dato' Haji Kamil Khalid Ariff	167	32	199
- YBhg. Dato' Lim Heen Peok	130	32	162
- Mr Keong Choon Keat	116	20	136
- Mdm Elsie Kok Yin Mei	125	29	154
Total Directors' remuneration	538	113	651

Existing Executive Directors are not entitled to any remuneration for their services.

The number of Non-Executive Directors whose total remuneration received during the financial year within the following bands is as follows:

	2021 RM'000	2020 RM'000
Non-Executive Directors:		
More than RM100,000	4	4

The remuneration attributable to the Chief Executive Officer of the Company is being disclosed in Note 31.

27(b). OTHER OPERATING EXPENSE

	2021 RM'000	2020 RM'000
Business acquisition expense	11,027	-
Share of MMIP pool expense	776	-
Provision of financial penalty by MyCC	-	8,116
	11,803	8,116

28. TAX EXPENSE

	2021 RM'000	2020 RM'000
Current tax:		
Current financial year	25,528	32,701
Under provision in prior financial years	79	241
	25,607	32,942
Deferred tax (Note 11)	(5,469)	(3,109)
Tax expense	20,138	29,833

The explanation of the relationship between taxation and profit before taxation is as follows:

	2021 RM'000	2020 RM'000
Profit before taxation	72,227	112,287
Tax calculated at the statutory rate of 24%	17,335	26,949
Tax exempted dividend income	(1,514)	(911)
Tax effect of expenses not deductible for tax purposes	4,238	3,387
Under provision of tax in prior financial year	79	241
Under provision of deferred tax in prior financial year	-	167
	20,138	29,833

29. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	2021 RM'000	2020 RM'000
Profit attributable to ordinary equity holders	52,089	82,454
Number of shares in issue	100,000	100,000
Basic earnings per share (sen)	52.1	82.5

29. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

30. COMMITMENTS

(a) Capital expenditure not provided for in the financial statements are as follows:

	2021 RM'000	2020 RM'000
Authorised by the Directors and contracted for:		
- Property and equipment	541	4,201

(b) Operating lease commitments

(i) The Company as lessee

The Company has operating lease agreement entered into in respect of network charges. The future aggregate minimum lease payments under operating lease are as follows:

	2021 RM'000	2020 RM'000
Not later than 1 year	468	1,870
Later than 1 year and no later than 3 years	-	468
	468	2,338

(ii) The Company as lessor

The Company has entered into lease agreements on its properties. The leases have remaining lease terms of between 1 to 3 years. The future aggregate minimum lease receivables under the operating leases contracted for as at the reporting date but not recognised as assets, are as follows:

	2021 RM'000	2020 RM'000
Not later than 1 year	806	1,492
Later than 1 year and no later than 3 years	259	642
	1,065	2,134

31. SIGNIFICANT RELATED PARTY DISCLOSURES

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY, SINGAPORE BRANCH, SINGAPORE

	2021 RM'000	2020 RM'000
Expenses/(income):		
Transactions with non-controlling shareholder:		
Reinsurance ceded premium	11	17
Reinsurance commission received	(3)	(5)
Reinsurance claims recovery	(70)	(99)
Due from/(due to):		
Balance with non-controlling shareholder:		
Reinsurance receivables	10	-

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY, LABUAN BRANCH, LABUAN, MALAYSIA

	2021 RM'000	2020 RM'000
Expenses/(income):		
Transactions with non-controlling shareholder:		
Reinsurance ceded premium	3,946	3,049
Reinsurance commission received	(807)	(574)
Reinsurance claims recovery	(1,433)	(1,012)
Due from/(due to):		
Balance with non-controlling shareholder:		
Reinsurance receivables	4	32
Reinsurance payables	340	(499)

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - LIBERTY GROUP

The Company undertook various transactions with other companies deemed related parties by virtue of them being members of Liberty Mutual Group ("Liberty Group").

	2021 RM'000	2020 RM'000
Expenses/(income):		
Transactions with Liberty Group Companies:		
Reinsurance ceded premium		
- Liberty Insurance Pte. Ltd, Singapore	12,799	11,144
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	9,747	9,435
- Liberty Specialty Markets Singapore Pte Ltd.	-	593
- Liberty Mutual Insurance Co Boston	7,313	3,289
- Liberty Mutual Insurance Co Australia	9	-
- Liberty Specialty Markets, Spain	-	194
	29,868	24,655
Reinsurance commission received		
- Liberty Insurance Pte. Ltd, Singapore	(1,608)	(1,341)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(2,363)	(2,481)
- Liberty Specialty Markets Singapore Pte Ltd.	-	(148)
- Liberty Mutual Insurance Co Boston	(1,343)	(684)
- Liberty Specialty Markets, Spain	-	(29)
	(5,314)	(4,683)
Reinsurance claims recovery		
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(173)	(230)
- Liberty Insurance Pte. Ltd, Singapore	(5,619)	(4,740)
- Liberty Mutual Insurance Co Boston	(2,215)	(1,218)
	(8,007)	(6,188)
EDP expenses		
- Liberty Mutual Insurance Company	338	281
	338	281

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - LIBERTY GROUP (CONTINUED)

	2021 RM'000	2020 RM'000
Expenses/(income) (continued):		
Business acquisition expense		
- Liberty Mutual Insurance Company	11,027	-
Staff salaries and others		
- Liberty Mutual Insurance Company	(1,603)	(772)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(1,219)	(1,151)
	8,205	(1,923)
Due from/(due to):		
Balances with Liberty Group comprises:		
Reinsurance receivables		
- Liberty Insurance Pte. Ltd, Singapore	11,809	11,305
- Liberty Mutual Insurance Co Boston	11	173
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	333	224
	12,153	11,702
Reinsurance payables		
- Liberty Insurance Pte. Ltd, Singapore	(1,722)	(1,080)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(1,693)	(1,914)
- Liberty Specialty Markets Singapore Pte Limited	-	(163)
- Liberty Mutual Insurance Co Australia	(9)	-
- Liberty Mutual Insurance Co Boston	(446)	(362)
	(3,870)	(3,519)
Other receivables/(Other payables)		
- Liberty Mutual Insurance Company	1,599	(214)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	72	145
	1,671	(69)

The year end balances with the related parties above are unsecured, interest free, repayable in accordance with the terms of the relevant contracts or on demand and are included in insurance receivables (Note 13(a)), insurance payables (Note 20) and other receivables (Note 13(b)).

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - KEY MANAGEMENT PERSONNEL

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

	2021 RM'000	2020 RM'000
Fixed Remuneration:		
- Salaries	5,133	4,998
- Other allowance	194	194
- Perquisites	192	232
- Employees' Provident Fund	585	483
Variable Remuneration:		
- Bonus	1,696	1,237
- Employees' Provident Fund	193	241
Key management personnel (a)	7,993	7,385
Fixed Remuneration:		
- Fees	571	538
Variable Remuneration:		
- Allowance	132	113
Non Executive Directors' remuneration (Note 27(a)) (b)	703	651
Fixed Remuneration:		
- Salaries	1,302	1,176
- Benefits-In-Kind	7	7
- Perquisites	-	-
- Employees' Provident Fund	216	196
Variable Remuneration:		
- Bonus	686	552
- Allowance	72	72
- Employees' Provident Fund	114	92
- Executive Partnership Program	-	-
Chief Executive Officer (c)	2,397	2,095
Total key management personnel (a) + (b) + (c)	11,093	10,131

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company includes the Non Executive Directors, Chief Executive Officer and Senior Management Team.

All Senior Management Team members are entitled to variable bonus awarded by the Company. There were no guaranteed bonus or service payments being awarded to the Senior Management team during the current financial year. A total of RM36,500 (2020: RM18,884) sign-on bonus had been awarded to a member of the Senior Management team during the current financial year.

32. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2021					
Assets					
Property and equipment	-	-	-	59,457	59,457
Right-of-use assets	-	-	-	1,074	1,074
Intangible assets - software	-	-	-	3,598	3,598
Investment properties	-	-	-	33,612	33,612
Financial assets at FVOCI	665,112	-	-	-	665,112
Financial assets at FVTPL	-	270,849	-	-	270,849
Financial assets at amortised cost	-	-	454,753	-	454,753
Reinsurance assets	-	-	-	251,531	251,531
Insurance receivables	-	-	24,120	-	24,120
Other receivables	-	-	48,382	806	49,188
Deferred acquisition costs	-	-	-	29,971	29,971
Deferred tax assets	-	-	-	9,776	9,776
Cash and short term deposits	-	-	70,050	-	70,050
Total assets	665,112	270,849	597,305	389,825	1,923,091

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other financial liabilities RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
2021			
Liabilities			
Insurance contract liabilities	-	996,401	996,401
Tax liabilities	-	6,919	6,919
Deferred acquisition costs - reinsurances	-	4,458	4,458
Insurance payables	53,823	-	53,823
Other payables	56,707	33,179	89,886
Lease liabilities	-	1,099	1,099
Total liabilities	110,530	1,042,056	1,152,586

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2020					
Assets					
Property and equipment	-	-	-	67,765	67,765
Right-of-use assets	-	-	-	1,441	1,441
Intangible assets - software	-	-	-	2,493	2,493
Non-current asset held for sale	-	-	-	6,600	6,600
Investment properties	-	-	-	28,720	28,720
Financial assets at FVOCI	642,624	-	-	-	642,624
Financial assets at FVTPL	-	136,302	-	-	136,302
Financial assets at amortised cost	-	-	590,806	-	590,806
Reinsurance assets	-	-	-	100,216	100,216
Insurance receivables	-	-	37,186	-	37,186
Other receivables	-	-	50,592	800	51,392
Deferred acquisition costs	-	-	-	31,149	31,149
Cash and short term deposits	-	-	38,089	-	38,089
Total assets	642,624	136,302	716,673	239,184	1,734,783

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other financial liabilities RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
2020			
Liabilities			
Insurance contract liabilities	-	865,391	865,391
Tax liabilities	-	17,536	17,536
Deferred tax liabilities	-	2,433	2,433
Deferred acquisition costs - reinsurances	-	3,911	3,911
Insurance payables	39,147	-	39,147
Other payables	43,267	21,870	65,137
Lease liabilities	-	1,470	1,470
Total liabilities	82,414	912,611	995,025

33. RISK MANAGEMENT FRAMEWORK

The Board has established a structure with clear lines of responsibility, authority limits and accountability aligned to business and operations requirements which supports a good control environment. The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee of the Board ("RMC-B").

The Board is supported in its role by the RMC-B and the Management in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Company and in the design and monitoring of suitable preventive and detective controls to mitigate these risks.

The Company is committed to achieving its objectives in managing its risks to be within its risk appetite, and will take appropriate action to mitigate risks that could derail the achievement of objectives. The effective management of enterprise risks can create, protect and enhance shareholder value in the long term.

The Enterprise Risk Management ("ERM") Framework is in place to support the overall business objectives by:

- Defining risk management roles and responsibilities;
- Defining a reporting framework to ensure the communication of necessary risk management information to the Management and personnel engaged in risk management activities;
- Detailing the approved methods for risk assessment; and
- Providing a system to accommodate the central accumulation of the risks data.

The ERM framework is updated regularly to ensure relevance and compliance with all applicable laws and regulations issued by the authorities, such as the Financial Services Act 2013, Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers, Policy Document on Risk Governance, Policy Document on Compliance, Policy Document on Risk Management in Technology, Policy Document on Credit Risk and Policy Document on Operational Risk.

Responsibilities

The RMC-B supports the Board to oversee the overall risk management processes by identifying key business risks and ensuring appropriate implementation of the system to manage these risks. The RMC-B is also tasked with overseeing the Senior Management's activities in managing key risk areas and ensuring the risk management process is in place and functioning effectively.

33. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Responsibilities (continued)

The Senior Management, headed by the CEO, is supported in its role by the Enterprise-Wide Opportunity and Risk Management Committee of the Management ("EORMC-M"), comprising of the CEO and Heads of various functions. The EORMC-M assists the Senior Management in formulating appropriate procedures (including assessment methodologies, tools and techniques) and reviewing the application of risk management practices across the Company.

The Divisions/Departments/Regional Offices are accountable to the CEO and will actively participate in risk analysis, review and controls monitoring of their respective areas.

The Enterprise Risk Management & Compliance Assurance Department is established with one of the responsibilities to communicate to the RMC-B on critical risks including emerging risks (present and potential) in terms of likelihood exposures and impacts to the Company's business and the management action plans to manage these risks on a continuing basis.

The Company adopted the Three Lines of Defence concept: Operational Management (the 1st line of defence), Risk Management Function (the 2nd line of defence) and Internal Audit Function (the 3rd line of defence). The risk taking units are the operational management functions responsible for the day-to-day management of risks inherent in their business activities, whereas the risk management function is responsible for setting the risk management framework and monitoring all the risks identified by the risk owners. Complementing this is the internal audit function, which provides independent assurance on the effectiveness of the risk management approach and controls.

The effectiveness of risk management will be regularly reported to and acted upon by the Board through the RMC-B.

34. INSURANCE RISK

The Company underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis, the exception being short term policies such as Travellers' Personal Accident and Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual policies with coverage period of more than one year such as Contractor's All Risks and Workmen's Compensation. The majority of the insurance business underwritten by the Company is Motor, Fire and Personal Accident. Other lines of business underwritten include Engineering, Workmen's Compensation, Marine Cargo/Hull, Liability, Health and Other Miscellaneous classes.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events.

34. INSURANCE RISK (CONTINUED)

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments may differ significantly from expectations. The factors that contribute to the risks include fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The Company may also be exposed to risks arising from climate changes, natural disasters, legislation changes and terrorism activities. For longer tail claims that take some years to settle, there is also inflation risk.

The Company's primary objective of managing insurance risk is to enhance the long-term financial viability of the business. This includes sustainable growth in profitability, strong asset quality and optimisation of shareholders' value. The Company seeks to underwrite risks that it understands and that provide an opportunity to earn an acceptable profit.

The Company's underwriting strategy is intended to ensure that the risks underwritten are well diversified across a large portfolio of insurance contracts and geographical areas. Strategic underwriting guidelines are designed and implemented to ensure that the risks accepted are managed in line with the Company's philosophy of prudent underwriting.

The Company adopts the following measures to manage insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding volatile risks to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with limits on underwriting capacity and retention.

- Authority limits and acceptance of specific risks to individual underwriters are based on their specific areas of expertise.

- The Company has in place a claims management and control system to pay claims and control claims leakages and fraud. The Company has a claim review policy to assess all new and ongoing claims as well as claims handling procedures. Fraud detection unit and fraud investigations on suspected fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

- The Company purchases reinsurance protection as part of its risk mitigation programme. The objectives are to provide sufficient capacity in underwriting business while protecting the Company's financial position and optimising its capital efficiency. Reinsurance is ceded on a proportional and non-proportional basis. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. The selection of reinsurers on its treaty and facultative programmes are based on their security ratings and local regulatory requirements.

34. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of general insurance business by class of business.

	2021			2020		
	Gross premiums RM'000	Re-insurance premiums ceded RM'000	Net premiums RM'000	Gross premiums RM'000	Re-insurance premiums ceded RM'000	Net premiums RM'000
Motor	430,953	(13,580)	417,373	470,398	(15,473)	454,925
Fire	76,793	(55,860)	20,933	61,868	(36,934)	24,934
Marine, Aviation and Transit	11,024	(7,314)	3,710	9,034	(6,464)	2,570
Miscellaneous	62,191	(35,307)	26,884	53,396	(31,684)	21,712
	580,961	(112,061)	468,900	594,696	(90,555)	504,141

The table below sets out the concentration of general insurance contract liabilities by class of business.

	2021			2020		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Motor	695,866	(27,538)	668,328	754,996	(43,367)	711,629
Fire	217,234	(193,014)	24,220	45,277	(30,662)	14,615
Marine, Aviation and Transit	12,134	(7,804)	4,330	9,165	(6,249)	2,916
Miscellaneous	71,167	(23,175)	47,992	55,953	(19,938)	36,015
	996,401	(251,531)	744,870	865,391	(100,216)	765,175

34. INSURANCE RISK (CONTINUED)

Key assumptions

The principal assumptions underlying the estimate of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of initial expected loss ratios, average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements 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. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

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

Sensitivity analysis

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

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim 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.

34. INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		← Increase/(decrease) →			
2021					
Average claim cost	+10%	68,110	46,643	(46,643)	(35,448)
Average number of claims	+10%	40,295	25,166	(25,166)	(19,127)
Increase in Loss Ratio for AY 2021	Increased by 10% on Motor Act 1% on Motor Non-Act 10% on Non Motor	28,978	17,465	(17,465)	(13,274)
Claims Handling Expenses	+1%	2,730	2,730	(2,730)	(2,075)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		← Increase/(decrease) →			
2020					
Average claim cost	+10%	52,127	45,665	(45,665)	(34,705)
Average number of claims	+10%	32,555	27,500	(27,500)	(20,900)
Increase in Loss Ratio for AY 2020	Increased by 10% on Motor Act 1% on Motor Non-Act 10% on Non Motor	28,865	19,895	(19,895)	(15,120)
Claims Handling Expenses	+1%	2,684	2,684	(2,684)	(2,040)

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

34. INSURANCE RISK (CONTINUED)

Claims development tables

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each date of statement of financial position, together with cumulative payment 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 exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is generally at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

The management believes that the estimate of total claims outstanding as of the reporting date is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross claim liabilities for 31 December 2021:

Motor

Accident year	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	195,867	219,795	247,814	280,641	318,255	307,383	216,470	175,392	
One year later	243,644	270,095	314,906	375,267	391,084	359,611	259,927		
Two years later	258,282	287,570	347,351	387,739	406,221	379,829			
Three years later	258,113	294,438	352,085	388,518	411,966				
Four years later	255,489	289,123	345,589	386,211					
Five years later	254,776	289,770	346,607						
Six years later	250,918	286,235							
Seven years later	250,361								
Current estimate of cumulative claims incurred	250,361	286,235	346,607	386,211	411,966	379,829	259,927	175,392	2,496,528

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2021 (continued):

Motor (continued)

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	92,202	105,674	113,178	131,286	152,381	149,308	107,640	88,944	
One year later	187,320	199,911	232,889	274,710	289,680	252,130	178,687		
Two years later	224,259	250,057	302,229	343,727	338,696	304,463			
Three years later	238,710	271,579	323,584	359,727	364,694				
Four years later	244,926	278,073	328,957	364,645					
Five years later	246,559	280,032	333,102						
Six years later	247,482	281,729							
Seven years later	247,942								
Cumulative payments to-date	247,942	281,729	333,102	364,645	364,694	304,463	178,687	88,944	2,164,206

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2021 (continued):

Motor (continued)

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Gross Motor insurance outstanding liabilities (direct and facultative)	493	2,419	4,506	13,505	21,566	47,272	75,366	81,240	86,448	332,815
Gross IBNR	-	-	-	(1,484)	(1,740)	(5,177)	2,162	23,502	74,682	91,945
Gross Motor insurance outstanding liabilities (treaty inwards)										19,611
Best estimate of claim liabilities										444,371
Claims handling expenses										7,264
PRAD at 75% confidence level										27,236
Gross Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										478,871

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2021 (continued):

Non-motor

Accident year	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	28,115	33,493	29,644	135,376	37,396	38,018	30,808	153,205	
One year later	36,450	34,755	26,665	113,386	35,891	37,123	34,076		
Two years later	33,906	32,555	26,085	112,028	35,289	36,308			
Three years later	31,350	28,894	25,059	111,243	34,961				
Four years later	31,676	27,671	25,017	111,391					
Five years later	31,107	27,328	24,644						
Six years later	30,029	25,876							
Seven years later	29,255								
Current estimate of cumulative claims incurred	29,255	25,876	24,644	111,391	34,961	36,308	34,076	153,205	449,716

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2021 (continued):

Non-motor (continued)

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	10,834	9,991	12,158	11,697	17,320	10,494	10,997	20,189	
One year later	22,023	21,730	19,267	101,777	28,499	29,363	21,995		
Two years later	25,267	24,464	20,645	108,640	30,749	31,986			
Three years later	27,249	25,549	21,372	108,773	32,180				
Four years later	28,113	25,602	21,430	108,782					
Five years later	29,021	25,627	21,477						
Six years later	29,083	25,697							
Seven years later	29,077								
Cumulative payments to-date	29,077	25,697	21,477	108,782	32,180	31,986	21,995	20,189	291,383

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2021 (continued):

Non-motor (continued)

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Gross Non-Motor insurance outstanding liabilities (direct and facultative)	2,854	178	179	3,167	2,609	2,781	4,322	12,081	133,016	161,187
Gross IBNR	-	-	-	-	-	-	-	-	27,812	27,812
Gross Non-Motor insurance outstanding liabilities (treaty inwards)										1,161
Best estimate of claim liabilities										190,160
Claims handling expenses										470
PRAD at 75% confidence level										33,974
Gross Non-Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										224,604

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2021

Motor

Accident year	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	154,497	184,381	216,218	247,941	309,855	299,663	211,061	171,062	
One year later	190,464	225,552	270,119	325,024	378,367	348,231	253,036		
Two years later	200,808	239,787	292,829	337,115	391,666	366,751			
Three years later	200,589	244,178	295,229	338,085	397,348				
Four years later	197,910	239,568	290,106	335,970					
Five years later	197,891	239,741	290,384						
Six years later	193,753	236,373							
Seven years later	193,203								
Current estimate of cumulative claims incurred	193,203	236,373	290,384	335,970	397,348	366,751	253,036	171,062	2,244,127

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2021 (continued):

Motor (continued)

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	72,210	88,167	98,982	115,369	148,590	145,540	104,946	86,758	
One year later	146,559	167,549	200,045	240,231	279,960	244,272	174,226		
Two years later	174,592	208,242	254,790	297,644	328,228	293,691			
Three years later	185,448	225,260	271,906	312,053	352,106				
Four years later	188,510	228,947	276,115	316,524					
Five years later	190,407	230,706	278,854						
Six years later	191,321	232,187							
Seven years later	191,769								
Cumulative payments to-date	191,769	232,187	278,854	316,524	352,106	293,691	174,226	86,758	1,926,115

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2021 (continued):

Motor (continued)

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Net Motor insurance outstanding liabilities (direct and facultative)	397	1,434	4,186	11,530	19,446	45,242	73,060	78,810	84,304	318,409
Net IBNR	-	-	-	(1,209)	(1,457)	(5,053)	2,422	19,517	68,902	83,122
Net Motor insurance outstanding liabilities (treaty inward)										19,611
Best estimate of claim liabilities										421,142
Claims handling expenses										7,264
PRAD at 75% confidence level										25,570
Net Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										453,976

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2021 (continued):

Non-motor

Accident year	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	14,351	16,383	16,282	17,382	18,381	14,601	12,848	23,115	
One year later	16,417	16,772	16,346	18,052	17,278	15,590	14,286		
Two years later	16,411	15,913	15,819	17,413	16,958	14,945			
Three years later	14,843	16,168	15,065	17,215	16,751				
Four years later	14,811	15,693	15,044	16,330					
Five years later	14,671	15,447	14,864						
Six years later	14,044	14,604							
Seven years later	13,630								
Current estimate of cumulative claims incurred	13,630	14,604	14,864	16,330	16,751	14,945	14,286	23,115	128,525

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2021 (continued):

Non-motor (continued)

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year	6,810	7,910	8,950	8,731	9,571	6,394	5,110	9,146	
One year later	12,043	12,717	12,775	14,570	14,823	12,626	10,155		
Two years later	12,815	13,750	13,252	16,007	15,226	13,320			
Three years later	12,878	14,386	13,573	15,678	15,478				
Four years later	13,578	14,417	13,615	14,894					
Five years later	13,607	14,463	13,625						
Six years later	13,617	14,532							
Seven years later	13,617								
Cumulative payments to-date	13,617	14,532	13,625	14,894	15,478	13,320	10,155	9,146	104,767

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2021 (continued):

Non-motor (continued)

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Net Non-Motor insurance outstanding liabilities (direct and facultative)	1,524	13	72	1,239	1,436	1,273	1,625	4,131	13,969	25,282
Net IBNR	-	-	-	-	-	-	-	-	2,414	2,414
Net Non-Motor insurance outstanding liabilities (treaty inwards)										1,161
Best estimate of claim liabilities										28,857
Claims handling expenses										470
PRAD at 75% confidence level										3,904
Net Non-Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										33,231

34. INSURANCE RISK (CONTINUED)

Claims development tables

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting date, together with the 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 exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is generally at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

The management believes that the estimate of total claims outstanding as of the reporting date is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross claim liabilities for 31 December 2020:

Motor

Accident year	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	197,354	195,867	219,795	247,814	280,641	318,255	307,383	216,470	
One year later	232,502	243,644	270,095	314,906	375,267	391,084	359,611		
Two years later	242,663	258,282	287,570	347,351	387,739	406,221			
Three years later	241,903	258,113	294,438	352,085	388,518				
Four years later	236,830	255,489	289,123	345,589					
Five years later	236,828	254,776	289,770						
Six years later	234,482	250,918							
Seven years later	237,157								
Current estimate of cumulative claims incurred	237,157	250,918	289,770	345,589	388,518	406,221	359,611	216,470	2,494,254

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2020 (continued):

Motor (continued)

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	92,568	92,202	105,674	113,178	131,286	152,381	149,308	107,640	
One year later	187,118	187,320	199,911	232,889	274,710	289,680	252,130		
Two years later	213,401	224,259	250,057	302,229	343,727	338,696			
Three years later	223,120	238,710	271,579	323,584	359,727				
Four years later	227,920	244,926	278,073	328,957					
Five years later	231,375	246,559	280,032						
Six years later	233,343	247,482							
Seven years later	236,826								
Cumulative payments to-date	236,826	247,482	280,032	328,957	359,727	338,696	252,130	107,640	2,151,490

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2020 (continued):

Motor (continued)

Accident year	Before 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Gross Motor insurance outstanding liabilities (direct and facultative)	673	331	3,436	9,738	16,632	28,791	67,525	107,481	108,830	343,437
Gross IBNR	-	-	-	(1,284)	(1,516)	(3,546)	(237)	25,689	70,170	89,276
Gross Motor insurance outstanding liabilities (treaty inwards)										24,082
Best estimate of claim liabilities										456,795
Claims handling expenses										6,767
PRAD at 75% confidence level										28,455
Gross Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										492,017

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2020 (continued):

Non-motor

Accident year	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	23,634	28,115	33,493	29,644	135,376	37,396	38,018	30,808	
One year later	26,035	36,450	34,755	26,665	113,386	35,891	37,123		
Two years later	25,059	33,906	32,555	26,085	112,028	35,289			
Three years later	24,299	31,350	28,894	25,059	111,243				
Four years later	23,800	31,676	27,671	25,017					
Five years later	24,366	31,107	27,328						
Six years later	22,294	30,029							
Seven years later	21,468								
Current estimate of cumulative claims incurred	21,468	30,029	27,328	25,017	111,243	35,289	37,123	30,808	318,305

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2020 (continued):

Non-motor (continued)

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	6,953	10,834	9,991	12,158	11,697	17,320	10,494	10,997	
One year later	14,906	22,023	21,730	19,267	101,777	28,499	29,363		
Two years later	18,217	25,267	24,464	20,645	108,640	30,749			
Three years later	18,948	27,249	25,549	21,372	108,773				
Four years later	19,259	28,113	25,602	21,430					
Five years later	19,355	29,021	25,627						
Six years later	20,500	29,083							
Seven years later	20,499								
Cumulative payments to-date	20,499	29,083	25,627	21,430	108,773	30,749	29,363	10,997	276,521

34. INSURANCE RISK (CONTINUED)

Gross claim liabilities for 31 December 2020 (continued):

Non-motor (continued)

Accident year	Before 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Gross Non-Motor insurance outstanding liabilities (direct and facultative)	2,812	969	946	1,701	3,587	2,470	4,540	7,760	19,811	44,596
Gross IBNR	-	-	-	-	-	-	(41)	56	9,514	9,529
Gross Non-Motor insurance outstanding liabilities (treaty inwards)										1,199
Best estimate of claim liabilities										55,324
Claims handling expenses										337
PRAD at 75% confidence level										8,712
Gross Non-Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										64,373

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2020

Motor

Accident year	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	154,209	154,497	184,381	216,218	247,941	309,855	299,663	211,061	
One year later	179,753	190,464	225,552	270,119	325,024	378,367	348,231		
Two years later	185,140	200,808	239,787	292,829	337,115	391,666			
Three years later	184,713	200,589	244,178	295,229	338,085				
Four years later	180,516	197,910	239,568	290,106					
Five years later	180,630	197,891	239,741						
Six years later	178,526	193,753							
Seven years later	177,300								
Current estimate of cumulative claims incurred	177,300	193,753	239,741	290,106	338,085	391,666	348,231	211,061	2,189,943

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2020 (continued):

Motor (continued)

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	71,664	72,210	88,167	98,982	115,369	148,590	145,540	104,946	
One year later	144,030	146,559	167,549	200,045	240,231	279,960	244,272		
Two years later	164,001	174,592	208,242	254,790	297,644	328,228			
Three years later	171,280	185,448	225,260	271,906	312,053				
Four years later	174,572	188,510	228,947	276,115					
Five years later	175,408	190,407	230,706						
Six years later	176,825	191,321							
Seven years later	177,109								
Cumulative payments to-date	177,109	191,321	230,706	276,115	312,053	328,228	244,272	104,946	1,864,750

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2020 (continued):

Motor (continued)

Accident year	Before 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Net Motor insurance outstanding liabilities (direct and facultative)	575	191	2,432	9,036	13,991	26,033	63,438	103,959	106,116	325,771
Net IBNR	-	-	-	(1,051)	(1,239)	(3,035)	(1,366)	22,225	63,868	79,402
Net Motor insurance outstanding liabilities (treaty inward)										24,082
Best estimate of claim liabilities										429,255
Claims handling expenses										6,767
PRAD at 75% confidence level										26,474
Net Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										462,496

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2020 (continued):

Non-motor

Accident year	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	12,431	14,351	16,383	16,282	17,382	18,381	14,601	12,848	
One year later	13,980	16,417	16,772	16,346	18,052	17,278	15,590		
Two years later	13,665	16,411	15,913	15,819	17,413	16,958			
Three years later	13,397	14,843	16,168	15,065	17,215				
Four years later	13,109	14,811	15,693	15,044					
Five years later	13,085	14,671	15,447						
Six years later	12,273	14,044							
Seven years later	12,237								
Current estimate of cumulative claims incurred	12,237	14,044	15,447	15,044	17,215	16,958	15,590	12,848	119,383

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2020 (continued):

Non-motor (continued)

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	5,489	6,810	7,910	8,950	8,731	9,571	6,394	5,110	
One year later	9,693	12,043	12,717	12,775	14,570	14,823	12,626		
Two years later	11,113	12,815	13,750	13,252	16,007	15,226			
Three years later	11,678	12,878	14,386	13,573	15,678				
Four years later	11,874	13,578	14,417	13,615					
Five years later	11,887	13,607	14,463						
Six years later	11,912	13,617							
Seven years later	11,913								
Cumulative payments to-date	11,913	13,617	14,463	13,615	15,678	15,226	12,626	5,110	102,248

34. INSURANCE RISK (CONTINUED)

Net claim liabilities for 31 December 2020 (continued):

Non-motor (continued)

Accident year	Before 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Net Non-Motor insurance outstanding liabilities (direct and facultative)	1,399	324	428	983	1,430	1,537	1,732	2,963	7,738	18,534
Net IBNR	-	-	-	-	-	-	12	118	1,980	2,110
Net Non-Motor insurance outstanding liabilities (treaty inwards)										1,199
Best estimate of claim liabilities										21,843
Claims handling expenses										337
PRAD at 75% confidence level										2,871
Net Non-Motor insurance contract claim liabilities per statement of financial position (Note 19 (ii))										25,051

35. FINANCIAL RISK

Financial risk management objectives and policies

The Company is exposed to a variety of financial risks, including credit risk, liquidity risk, market risk, and operational risk. The Company aims to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews and internal control systems.

The Company is guided by the ERM Framework which sets out the overall risk management philosophy. The Company has established internal processes to monitor the risks on an ongoing basis.

The policies and measures taken by the Company to manage these risks are set out below.

Credit risk

Credit risk (including counterparty credit risk) is the risk of a counterparty failing to perform its obligations.

The Company's primary exposure to credit risks arises through its investment in fixed income securities, obligations of reinsurers through reinsurance contracts and receivables arising from sales of insurance policies.

Cash and deposits are generally placed with local licensed banks and financial institutions.

The Company monitors the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company typically cedes business to regulated reinsurers that have a good credit rating and concentration risk is avoided by adhering to policy guidelines in respect of counterparties' limit that have been set. When selecting its reinsurers, the Company consider their relative financial security. The securities of the reinsurers are assessed mainly based on rating agency reports.

The Company's credit risk exposure to insurance receivables arises from its appointed agents, brokers and other intermediaries. The risk arises when these parties collect premiums from customers to be paid to the Company. The Company has policies to monitor credit risk from these receivables through meetings of the Credit Control Committee, Credit Control Department and Business Units to facilitate monitoring of the outstanding position. The Company also has guidelines to evaluate intermediaries before their appointment as well as setting credit limits to these appointees.

35. FINANCIAL RISK (CONTINUED)

Credit risk (continued)

(i) Credit exposure

The table below shows the maximum exposure for components on the statement of financial position which are subject to credit risk:

	2021 RM'000	2020 RM'000
FVOCI financial assets:		
Malaysian government papers	413,537	441,895
Unquoted debt securities	251,575	200,729
Reinsurance assets - excluding premium liabilities	216,268	68,843
Financial assets at amortised cost	454,753	590,806
Insurance receivables	24,120	37,186
Other receivables, excluding deposits and prepayments	47,486	49,669
Cash and short term deposits	70,050	38,089
	1,477,789	1,427,217

35. FINANCIAL RISK (CONTINUED)

(ii) Credit exposure by credit quality

The table below sets out the credit quality of financial assets measured at FVOCI.

2021	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Financial assets at FVOCI				
Malaysian government papers (government guaranteed)	413,537	-	-	413,537
Unquoted debt securities (government guaranteed)	100,714	-	-	100,714
Unquoted debt securities (AA to AAA)	150,861	-	-	150,861
	665,112	-	-	665,112

Ratings of unquoted debt securities are based on ratings obtained from Rating Agency Malaysia ("RAM") or Malaysian Rating Corporation Berhad ("MARC").

Set out below is the information about the credit risk exposure on the Company's insurance receivables, using a provision matrix:

	Days past due				
31 December 2021	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days* RM'000	Total RM'000
Gross carrying amount - insurance receivables	5,994	3,513	3,050	13,466	26,023
Allowance for ECL	(36)	(41)	(77)	(1,749)	(1,903)
Expected credit loss rate	1%	1%	3%	13%	7%
Net carrying amount - insurance receivables	5,958	3,472	2,973	11,717	24,120

* Included in these balances are credit impaired gross receivables amounting to RM1,570,646 and ECL allowance of RM1,306,916.

35. FINANCIAL RISK (CONTINUED)

(ii) Credit exposure by credit quality (continued)

The table below provides information regarding the credit analysis of the Company by classifying financial and insurance assets according to the credit ratings of counterparties as sourced from RAM and MARC. AAA is the highest possible rating.

2021	Government Guaranteed RM'000	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Unrated RM'000	Total RM'000
FVOCI financial assets:								
Malaysian government papers	413,537	-	-	-	-	-	-	413,537
Unquoted debt securities	100,714	104,452	46,409	-	-	-	-	251,575
Reinsurance assets, excluding premium liabilities	-	-	39,395	174,320	(13)	1,535	1,031	216,268
Financial assets at amortised cost	-	355,485	99,268	-	-	-	-	454,753
Insurance receivables	-	2,119	200	10,518	-	35	11,248	24,120
Other receivables, excluding deposits and prepayments	-	-	-	-	-	-	47,486	47,486
Cash and short term deposits	-	46,728	-	23,241	-	-	81	70,050
	514,251	508,784	185,272	208,079	(13)	1,570	59,846	1,477,789

35. FINANCIAL RISK (CONTINUED)

(ii) Credit exposure by credit quality (continued)

2020	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Financial assets at FVOCI				
Malaysian government papers (government guaranteed)	441,895	-	-	441,895
Unquoted debt securities (government guaranteed)	38,041	-	-	38,041
Unquoted debt securities (AA to AAA)	162,688	-	-	162,688
	642,624	-	-	642,624

Ratings of unquoted debt securities are based on ratings obtained from Rating Agency Malaysia ("RAM") or Malaysian Rating Corporation Berhad ("MARC").

Set out below is the information about the credit risk exposure on the Company's insurance receivables, using a provision matrix:

	Days past due				
31 December 2020	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days* RM'000	Total RM'000
Gross carrying amount - insurance receivables	9,953	3,943	3,565	22,606	40,067
Allowance for ECL	(68)	(44)	(80)	(2,689)	(2,881)
Expected credit loss rate	1%	1%	2%	12%	7%
Net carrying amount - insurance receivables	9,885	3,899	3,485	19,917	37,186

* Included in these balances are credit impaired gross receivables amounting to RM2,643,896 and ECL allowance of RM2,066,518.

35. FINANCIAL RISK (CONTINUED)

(ii) Credit exposure by credit quality (continued)

The table below provides information regarding the credit analysis of the Company by classifying financial and insurance assets according to the credit ratings of counterparties as sourced from RAM and MARC. AAA is the highest possible rating.

2020	Government Guaranteed RM'000	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Unrated RM'000	Total RM'000
FVOCI financial assets:								
Malaysian government papers	441,895	-	-	-	-	-	-	441,895
Unquoted debt securities	38,041	95,625	67,063	-	-	-	-	200,729
Reinsurance assets, excluding premium liabilities	-	-	9,696	52,613	114	1,416	5,004	68,843
Financial assets at amortised cost	-	490,265	100,541	-	-	-	-	590,806
Insurance receivables	-	1,930	411	10,567	-	271	24,007	37,186
Other receivables, excluding deposits and prepayments	-	-	-	-	-	-	49,669	49,669
Cash and short term deposits	-	10,856	-	81	-	-	27,152	38,089
	479,936	598,676	177,711	63,261	114	1,687	105,832	1,427,217

35. FINANCIAL RISK (CONTINUED)

(iii) Amounts arising from Expected Credit Loss ("ECL")

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD")
- Loss given default ("LGD")
- Exposure at default ("EAD")

These parameters are derived from internally developed statistical models as developed by the Company based on historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. They are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. The ECL considers the contractual maturities of exposure.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward-looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

35. FINANCIAL RISK (CONTINUED)

(iii) Amounts arising from Expected Credit Loss ("ECL") (continued)

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The insurance receivables and other receivables are in scope for ECL impairment provisions using the simplified approach under MFRS 9 whereby a lifetime ECL is recognised for all debts.

Significant increase in credit risk

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment categories (rated AA and above) by Rating Agency of Malaysia (RAM) and Malaysian Rating Corporation (MARC) and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination whereby an investment grade bond (BBB and above) falls under a non-investment grade bond (below BBB), the allowance will be based on the lifetime ECL. The Company uses ratings from RAM and MARC to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

ECLs are recognised in two measurement bases. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

35. FINANCIAL RISK (CONTINUED)

(iii) Amounts arising from Expected Credit Loss ("ECL") (continued)

Definition of default

Qualitative criteria

Trade receivables is deemed past due when the counterparty has failed to make payment when the outstanding amounts are contractually due i.e. a default occurs. For bonds and loans, the instrument is considered defaulted when it is overdue. The indicator of potential defaults include bankruptcy of counterparty, drops in credit ratings particularly of reinsurers, potential significant financial difficulty i.e., lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within a given timeframe.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected loss calculations.

Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Experienced judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases published on a quarterly basis to project the economic variables for the full remaining lifetime of each instrument, after which, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

35. FINANCIAL RISK (CONTINUED)

(iii) Amounts arising from Expected Credit Loss ("ECL") (continued)

Incorporation of forward looking information (continued)

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the year ended 31 December 2021 and 31 December 2020.

The following table show the reconciliations from opening to the closing balance of the loss allowance.

(a) Financial assets at FVOCI

	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	15	-	-	15
New financial asset purchased	16	-	-	16
Financial asset that has been derecognised	(3)	-	-	(3)
At 1 January 2021	28	-	-	28
New financial asset purchased	2	-	-	2
Financial asset that has been derecognised	(9)	-	-	(9)
At 31 December 2021	21	-	-	21

(b) Financial assets at amortised cost

Insurance receivables	Credit impaired RM'000	Not credit impaired RM'000	Total RM'000
At 1 January 2020	2,898	1,470	4,368
Loss allowance			
- Individual impairment	(1,219)	-	(1,219)
- Collective impairment	388	(656)	(268)
At 31 December 2020/1 January 2021	2,067	814	2,881
Loss allowance			
- Individual impairment	(516)	-	(516)
- Collective impairment	(244)	(218)	(462)
At 31 December 2021	1,307	596	1,903

35. FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet their obligations when they fall due, or would have to incur excessive cost to do so. In respect of catastrophic events, there is also liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintain adequate liquidity to meet the liquidity needs under both normal and stressed conditions.

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

- The Company's Finance & Accounts Department takes charge of the operational management of liquidity risks arising from financial operations. The Company aims to maintain sufficient level of cash and cash equivalents to meet all expected and unexpected outflows resulting from the day-to-day company operations.

- There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and, to a lesser extent, unexpected outflows.

- Capital management plans have been set up which specify the methods used to meet emergency calls as well as specifying events that would trigger such plans.

- The Company's treaty reinsurance contract contains a "cash call" clause permitting the Company to make a cash call on claims and receive immediate payment for a large loss without waiting for usual periodic payment procedures to occur.

Maturity profiles

The table below summarises the maturity profile of the financial and insurance assets and liabilities of the Company based on remaining undiscounted contractual obligations.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as these are not contractual obligations.

35. FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

2021	Carrying value RM'000	Up to a year* RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
FVOCI financial assets:							
Malaysian government papers	413,537	45,058	152,712	75,861	190,101	-	463,732
Unquoted equity security in Malaysia**	-	-	-	-	-	-	-
Unquoted debt securities	251,575	53,480	64,348	85,509	79,410	-	282,747
FVTPL - Collective Investment Schemes	270,849	-	-	-	-	270,849	270,849
Reinsurance assets, excluding premium liabilities	216,268	145,853	56,427	6,851	7,137	-	216,268
Financial assets at amortised cost	454,753	454,753	-	-	-	-	454,753
Insurance receivables	24,120	24,120	-	-	-	-	24,120
Other receivables, excluding prepayments	48,382	3,268	-	-	-	45,114	48,382
Cash and cash equivalents	70,050	47,811	-	-	-	22,239	70,050
Total financial assets	1,749,534	774,343	273,487	168,221	276,648	338,202	1,830,901
Claim liabilities	703,475	443,691	227,162	24,080	8,542	-	703,475
Insurance payables	53,823	53,823	-	-	-	-	53,823
Other payables, excluding provision of staff benefits & financial penalty of MyCC	67,734	66,251	1,403	80	-	-	67,734
Total financial liabilities	825,032	563,765	228,565	24,160	8,542	-	825,032

* Expected utilisation or settlement is within 12 months from the reporting date

** This denotes that the fair value of unquoted equities as at 31 December 2021 and 31 December 2020 is RM1.

35. FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

2020	Carrying value RM'000	Up to a year* RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
FVOCI financial assets:							
Malaysian government papers	441,895	45,638	146,045	97,726	196,170	-	485,579
Unquoted equity security in Malaysia**	-	-	-	-	-	-	-
Unquoted debt securities	200,729	36,463	81,497	44,145	52,391	-	214,496
FVTPL - Collective Investment Schemes	136,302	-	-	-	-	136,302	136,302
Reinsurance assets, excluding premium liabilities	68,843	42,781	19,914	3,948	2,200	-	68,843
Financial assets at amortised cost	590,806	590,806	-	-	-	-	590,806
Insurance receivables	37,186	37,186	-	-	-	-	37,186
Other receivables, excluding prepayments	50,592	2,243	-	-	-	48,349	50,592
Cash and cash equivalents	38,089	34,051	-	-	-	4,038	38,089
Total financial assets	1,564,442	789,168	247,456	145,819	250,761	188,689	1,621,893
Claim liabilities	556,390	337,301	195,593	20,266	3,230	-	556,390
Insurance payables	39,147	39,147	-	-	-	-	39,147
Other payables, excluding provision of staff benefits & financial penalty of MyCC	43,267	42,202	1,015	50	-	-	43,267
Total financial liabilities	638,804	418,650	196,608	20,316	3,230	-	638,804

* Expected utilisation or settlement is within 12 months from the reporting date

** This denotes that the fair value of unquoted equities as at 31 December 2021 and 31 December 2020 is RM1.

35. FINANCIAL RISK (CONTINUED)

Included in other receivables and other payables is the Company's proportionate share in the assets and liabilities held under MMIP as disclosed in Note 13(b) and Note 21. The Company's proportionate share of insurance contract liabilities from MMIP are disclosed in Note 19 of the financial statements. These balances have not been offset in the financial statements of the Company as it is the view of the Directors and Management that no legal right of set-off exists. The assets have been contributed in line with the Company's obligation under the Collective Agreement signed on 9 August 1993 and the insurance contract liabilities represent the Company's proportionate share of the Pool's insurance contract liabilities arising from insurance contracts underwritten in respect of third party policyholders collectively, under the name of MMIP. Presented below is the Company's net position of its proportionate share in the net assets held under the MMIP as at 31 December 2021:

	2021 RM'000	2020 RM'000
Assets/(Liabilities):		
Assets:		
- Accumulated cash contributions to MMIP	19,006	20,006
- Other assets	26,108	28,343
Total Assets (Note 13(b))	45,114	48,349
Liabilities		
- Other payables	(923)	(1,328)
Total Liabilities (Note 21)	(923)	(1,328)
Net assets held under MMIP	44,191	47,021
Insurance contract liabilities (Note 19)		
- Claim liabilities	(22,815)	(28,063)
- Premium liabilities	(903)	(1,835)
	(23,718)	(29,898)
Net assets after insurance contract liabilities	20,473	17,123

35. FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk of financial losses as a result of the reduction in the market value of assets. Market risk is comprised of three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/profit yield risk) and market prices (price risk).

The Company has policies and limits to manage market risk. The market risk is managed through portfolio diversification and changes in assets allocation. The Company's policies on assets allocation, portfolio limit structure and diversification benchmark is aligned with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in foreign exchange rates. The Company has minimal exposure to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates.

The Company is exposed to interest rate risk primarily through investments in fixed income securities such as Malaysian Government Papers and Corporate Debt Securities.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact to statements of income and changes in equity (due to changes in FVOCI financial assets).

	2021		2020	
	Impact on PBT RM'000	Impact on Equity* RM'000	Impact on PBT RM'000	Impact on Equity* RM'000
Change in Variable	←	(Decrease)/Increase		→
Interest Rate +50bps	-	(11,719)	-	(9,060)
Interest Rate -50bps	-	12,046	-	9,336

* Impact on Equity reflects adjustments for tax, when applicable.

35. FINANCIAL RISK (CONTINUED)

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial statements or its issuer or factors affecting similar financial instruments traded in the market. Currently the Company has no significant exposure to price risk, except for the investment in Collective Investment Schemes measured at FVTPL.

The analysis below is performed for reasonably possible movements in the net assets value ("NAV") of the Collective Investment Schemes with all other variables held constant, showing the impact to statements of income and changes in equity (due to changes in investment in Collective Investment Schemes measured at FVTPL).

	2021		2020	
	Impact on PBT RM'000	Impact on Equity* RM'000	Impact on PBT RM'000	Impact on Equity* RM'000
Change in Variable	←	(Decrease)/Increase		→
NAV of the fund +10%	27,085	20,585	3,415	2,595
NAV of the fund -10%	(27,085)	(20,585)	(3,415)	(2,595)

* Impact on Equity reflects adjustments for tax, when applicable.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. When controls fail to perform, operational risks can lead to damage to reputation, legal or regulatory implications or financial loss.

The Company mitigates the operational risks by establishing a control framework and by monitoring and responding to potential risk. Controls include effective segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, and the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The Company's risk taking units are primarily responsible for managing the day-to-day operational risk inherent in their respective business and functional areas. They are responsible for putting in place and maintaining their respective operational manuals, and ensuring that activities undertaken by them comply with the Company's ERM framework.

36. REGULATORY CAPITAL REQUIREMENTS

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirements prescribed in the RBC Framework. Under the RBC Framework issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at 31 December 2021 and 2020, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 31 December 2021, and the comparative, as prescribed under the RBC Framework is provided below:

	2021 RM'000	2020 RM'000
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000	100,000
Retained earnings	658,340	606,251
	758,340	706,251
Tier 2 Capital:		
Asset revaluation reserve	14,983	19,665
FVOCI reserve	(2,818)	13,842
	12,165	33,507
Amounts deducted from capital	(17,740)	(13,613)
Total capital available	752,765	726,145

37. LEGAL UPDATES

Malaysian Competition Commission ("MyCC")

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision (PD) under "Proposed decision by the Commission" S36(1) of the Competition Act 2010 ("CA") that the Company along with PIAM and the other 21 Insurers had infringed the prohibition under "Prohibited horizontal and vertical agreement" S4(2)(a) of the CA and had indicated a financial penalty of RM213 million on all 22 insurers. PIAM and its 22 member insurers denied the alleged infringement and maintained that they were following BNM directive to PIAM to engage with the Federation of Automobile Workshop Owner's Association of Malaysia ("FAWOAM") in order to resolve issues related to parts trade discounts and labour hourly rates.

MyCC delivered its final decision ("Final Decision") on 25 September 2020 in which MyCC concluded that PIAM and the 22 Insurers (which includes Liberty) as enterprises listed in the Final Decision have infringed the section 4 prohibition of the Competition Act 2010 ("the Act"). The Commission imposed a collective financial penalty of RM144 million on the 22 insurers, of which the Company's portion amounts to RM8,115,998. This sum was arrived at after a discount of 10% for mitigating circumstances (amongst others, having a compliance program in place) and a further 25% of this reduced sum in view of the COVID-19 pandemic.

On 23 March 2021, the Competition Appeal Tribunal ("COMPAT") panel unanimously decided to grant a stay of the financial penalties and the cease and desist order for all the 22 Insurers pending the disposal of the appeal on the merits. There is no order as to costs. The appeal at COMPAT proceeded on the 12th, 15th, 16th, 19th and 26th November 2021 and COMPAT has now fixed the 17th, 21st, 24th of March 2022 and 6th, 7th and 21th of April 2022 as the next dates for the continuation of the appeal. In addition to the appeal at COMPAT, the Company had also sought a judicial review in the High court against the unfairness and failure of due process by MyCC in arriving at their Final Decision. To this end, the Company's lawyer filed a judicial review leave application. On 20 October 2021, the High Court dismissed the said leave application and the Company have decided against appealing this decision to the Court of Appeal.

For prudence purposes, the Company set aside a provision of RM8,115,998 in November 2020 for the purported financial penalty without any admission of liability, of which the Company denies in its entirety. The Company will continue to challenge and resist MyCC's decision as the Company takes the position that it has not committed any infringement of the Malaysian Competition law.

38. SIGNIFICANT AND SUBSEQUENT EVENTS

COVID-19 Impact

The COVID-19 pandemic has affected the world's economy and Malaysia is not spared from its impact. In 2021, the Malaysian government continue to take reasonable steps to limit the spread of COVID-19 infections by introducing extensive measures under the Movement Control Order ("MCO"). These had impacted the business operations of the Company. The management and the Board have been closely monitoring the situation and positioning the Company to preserve and strengthened our business operations and responded to business uncertainty through our sound business continuity plan to ensure continuous operation with minimal interrupions and providing continuing supports to our business partners and policyholders. This is further explained below:

i) Business Operation

The imposition of MCO during the year resulted several high risk areas to be in full lockdown and this affected the performance of the Company largely due to restrictions on many economic acitivities, coupled with the drop in business demand. The Company enhanced several initiatives to mitigate the movement restriction, by shifting its resources towards digital platform channels in order to further reach and service its customers. The Company has leveraged business opportunities from its existing and improved digital platforms, which enabled the Company to continue sustaining business volume.

ii) Investment Operations

Overall investment climate was dampened by the continued acceleration of COVID-19 cases globally which dimmed the prospect of fast economic recovery as governments around the world mull stricter measures to contain the pandemic. In 2021, BNM maintained the overnight policy rate ("OPR") to provide additional policy stimulus to accelerate the pace of economic recovery. The OPR rate cut impacted the investment returns of the Company. The Company increased investments in other financial securities i.e. collective investment schemes and corporate debt securities. The Company continues to preserve its capital with investment in sound credit rating financial assets in accordance with its investment policy and ensure a regular income stream from long term fixed income securities.

38. SIGNIFICANT AND SUBSEQUENT EVENTS

COVID-19 Impact (continued)

iii) Customers and Society

On the measures announced by BNM to assist individuals, small-medium enterprises and corporates affected by COVID-19, the Company facilitated their policyholders request for payment deferment. In combating the COVID-19 outbreak, the Company has provided contributions to the COVID-19 relief fund.

The management is satisfied with the ability of the Company to continue as a going concern and that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

The extent and duration of the impact of the COVID-19 pandemic remain uncertain and depend on the future developments that cannot be accurately predicted at this stage. Therefore, a reliable estimate of such impact beyond the reporting date cannot be made at the date of the authorisation of the financial statements.

Acquisition of AmGeneral Insurance Berhad

Liberty Mutual Insurance Company, the immediate holding company of the Company and the Company have applied for regulatory approval to acquire Malaysian insurer AmGeneral Insurance Berhad (AmGeneral). AmGeneral is currently 51%-owned by AmBank Group and 49%-owned by Insurance Australia Group (IAG). Subject to receiving appropriate regulatory approvals and other closing conditions being fulfilled, the Company will acquire 100% shares of AmGeneral, and AmBank Group's share of the sale proceeds will be in the form of cash and consideration shares, which will result in AmBank Group holding a 30% interest in the Company. The AmGeneral and the Company operations will, at a subsequent date, be formally merged.

As part of the transaction, the prospective merged entity will enter into an exclusive 20-year bancassurance partnership with AmBank Group to distribute general insurance products.