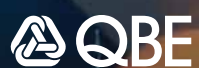




*Enabling a more resilient future*



## 2022 Annual Report

QBE Insurance (Malaysia) Berhad  
Registration No.: 198701002415 (161086-D)



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# Corporate information

## Board of directors

### **Arunothayam Rajaratnam**

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

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

*Certified Public Accountant (CPA), Malaysia*

### **Jason Andrew Hammond**

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

### **Saw Teow Yam**

*Bachelor of Economics (Honours)*

## Company secretary

### **Janet Tang Yii Chi**

*SSM PC NO. 202208000401  
SSM LICENSE NO. LS0010611*

## Registered office

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

## Auditors

PricewaterhouseCoopers PLT

## Solicitors

Skrine

## Main banker

Citibank Berhad

## Our Purpose

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

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

## Our Vision

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

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



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

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

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



# Board of Directors



**Arunothayam Rajaratnam**

**Independent Non-Executive Director**

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

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



**Dato' Tan Ang Meng**

**Independent Non-Executive Director**

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

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



**Jason Andrew Hammond**

**Executive Director**

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

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



**Saw Teow Yam**

**Independent Non-Executive Director**

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

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



# Central office managers



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

**Chief Executive Officer**

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

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

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

He holds degrees in Economics, Law and is a qualified chartered Insurer (ACII- UK). Recently he has completed the fellowship programme with the Malaysian Insurance Institute and conferred the title of FMII.



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

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

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

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

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

She is a member of the Association of Chartered Certified Accountant ("ACCA") and the Malaysian Institute of Accountants. She is being awarded by The FutureCFO - finalist for Controller of the Year Award in 2023.



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

**Head of HR, Central Asia**

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

Azima has 31 years of experiences in human resource management, 24 years of which are in the insurance sector. Her experience covers a wide range of human resources and leadership expertise, including HR transformation, organisation redesign, change management, HR programs, performance management, driving the high-performance culture, employee engagement, talent management, succession planning and as well as mergers and acquisitions.

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



**Jeyasakthi Ratnasingam** AICA, Bachelor of Business Administration (Actuarial Science)

**Head of Compliance**

Jeya joined QBE in June 2022 as the Head of Compliance. She has more than 15 years' experience in the insurance industry spanning a variety of roles including insurance operations, vendor management, risk management and compliance.

Jeya holds a Degree in Business Administration, majoring in Actuarial Science from University of Wisconsin, USA. She also has an International Diploma in Governance, Risk & Compliance and Regulatory & Finance Crime Compliance certificate from the International Compliance Association.

Jeya is a member of the International Compliance Association.

## Central office managers continued



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

**Head of Risk**

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

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

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

He is a member of Malaysian Institute of Accountants.

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

**Head of Distribution**

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

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

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

**Head of Actuarial**

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

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

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

**Head of Underwriting**

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

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

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

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

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# Chairperson's statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of QBE Insurance (Malaysia) Berhad ("QBE Malaysia") for the financial year ended 31 December 2022.

## Economic Environment

In 2022, the economy of Malaysia expanded by 8.7% whilst the inflation rate was 3.3%, as compared to 2.5% in 2021. In respect of gross written premium (GWP), the conventional general insurance industry increased by 10% to RM19.429 billion.

## 2022 Performance

QBE Malaysia reported an underwriting profit before tax (PBT) of RM16.1 million in 2022, which represents an improvement from RM13.2 million in 2021. This achievement can be attributed to stronger risk selection and pricing governance, resulting in an improved claims experience and a better underwriting profit overall for the year 2022.

## Operating sustainably

At QBE, sustainability is at the core of our values and we remain committed to fulfilling our obligations today and in the future. We strive to adapt and evolve continuously to meet the rapid changing needs of our employees, environment, customers and communities. As highlighted by Sunther Kuppan, our Chief Executive Officer, QBE Malaysia has renewed its sustainability strategy which provides clear direction for our ongoing sustainability commitments.

## Supporting our customers and communities

In Malaysia, we have witnessed a surge in flood events which have caused significant damage and hardship to families, businesses and communities.

In the past year, we participated as a Group, in a three-year global Disaster Relief and Resilience Partnership with the Red Cross and Save the Children to support initiatives that focus on climate adaptation and mitigation to enhance community resilience. We look forward to our continued involvement in such initiatives that help make a difference for people and communities in need.

## 2023 Outlook

Looking ahead to 2023, the global economy is slated to experience low growth due to the prolonged Russia and Ukraine war, coupled with banking shocks following the Credit Suisse and Signature Bank collapses. Despite its effects being generally contained within the West, we could still feel shockwaves from our shores. Credit moderation will be significant as credit growth could slow to 5% in 2023. Malaysia's Gross Domestic Product ("GDP") is also projected to slow to 4% in 2023 due to a slowdown in the global economy that affects our major export of semiconductors, especially as exports account for close to 74% of our GDP.

Despite the challenges, all is not lost in our Malaysian space, and as the saying goes, every cloud has a silver lining. As a net exporter of oil and palm oil, Malaysia is expected to benefit from the key commodity shortages resulting from the Russia and Ukraine war. Despite the tourism sector still struggling to recover from the impact of Covid-19, with only 12% of 2019 tourist arrivals recorded in 2022, we anticipate a potential increase in activity in this sector.

With our strong business fundamentals, a refreshed leadership team, and a focused approach to our objectives and go-to-market strategies, we have a positive outlook for 2023 and the future of our business.

I am very proud of our people's passion and integrity in delivering exceptional outcomes for our customers, supported by our strong balance sheet and initiative that benefit our customers, shareholders, and communities.

## Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation and gratitude to all of our valued business partners for their unwavering support over the years, as well as our senior management team and all employees for their leadership and dedication in the past year.

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

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

# 2022 snapshot

Net combined operating ratio (NCOR%)

**96.9%**

2021 98.2%

Gross written premium

**MYR209.0** Mil

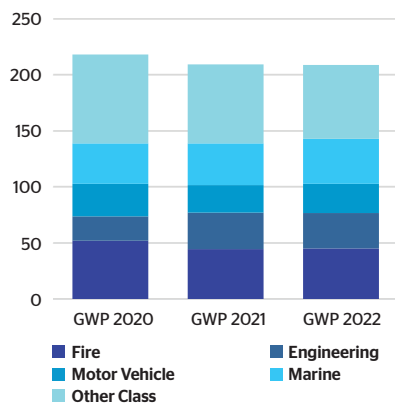
⬇️ 0.2% from 2021

Net claims ratio (%)

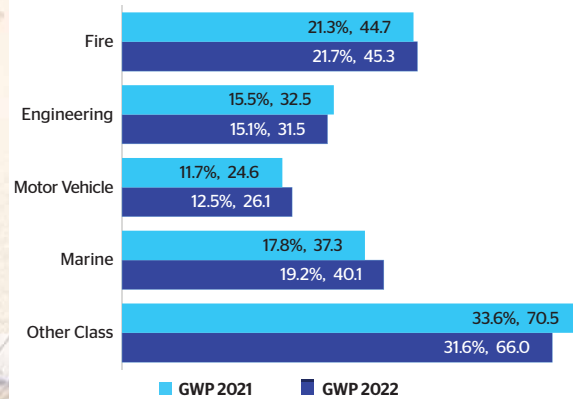
**53.5%**

2021 55.0%

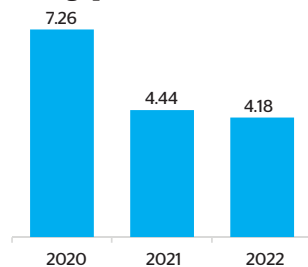
Gross written premium (RM' mil)  
by class of business



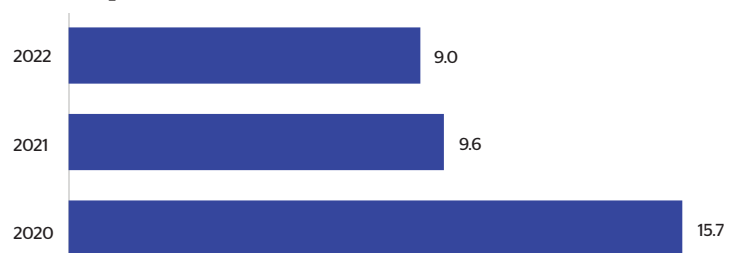
Business portfolio 2022 (RM' mil)



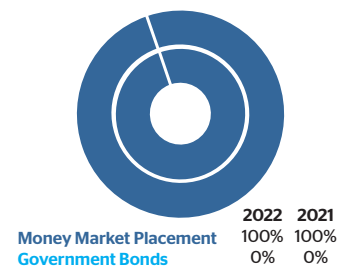
Earnings per share (cents)



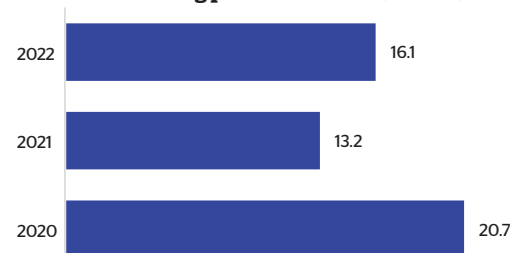
Net profit after income tax (RM' mil)



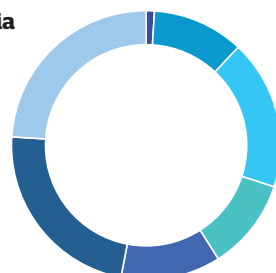
Investment 2022



Underwriting profit before tax (RM' mil)



Business Across Malaysia



Agency/Partner	2022 (%)	2021 (%)
MMIP	1%	4%
Southern Agency	11%	6%
Northern Agency	18%	16%
East M'sia Agency	11%	13%
Central Agency	12%	18%
Bancassurance	0%	0%
Brokers	23%	14%
Major Trading Partners	24%	29%

# Chief Executive Officer's statement

We are pleased to announce QBE Malaysia recorded a stellar 2022 financial performance. This follows the launch of our revamped purpose, vision and strategic priorities, which has helped our entire organisation to remain focused on our commitment to culture and living our QBE DNA.

Earlier this year, we released a refined sustainability strategy with clear objectives following extensive consultation and a thorough review of the external landscape. This was meant to foster an orderly and inclusive transition to a net-zero economy, enable a sustainable and resilient workforce, and encourage partnerships for growth.

The fundamental work we've done in 2022 will allow us to move forward with meeting our plan for 2023. I see great opportunity to leverage the expertise across our markets and unlock the value of our global organisation.

## External Environment

Last year, the Malaysian economy experienced severe challenges during the COVID-19 pandemic. Malaysia's full-year economic performance expanded 8.7% in 2022, compared to 4.0% growth in 2021. The general insurance industry registered an increase of 10% in 2022 with Gross Written Premium ("GWP") of RM19.429 billion.

## 2022 Performance

We ended FY2022 with a gross written premium ("GWP") of RM209 million (vs. RM209.5 million in 2021) and registered a better underwriting profit before tax of RM16.1 million (vs. RM13.2 million in 2021). This was mainly driven by higher underwriting profit and an improved combined ratio of 96.9%. The floods in December also contributed in part to the increase in Claims Incurred Ratio, with QBE Malaysia receiving 75 flood claim intimations as of 31 December 2022.

The company maintained a sound Capital Adequacy Ratio ("CAR") in 2022, exceeding both the Supervisory CAR and our own internal capital target as per our Capital Management Plan.

## Strategic priorities

Our new direction defines our priorities for the medium to long-term and further integrates our sustainable strategy. I am committed to delivering on our vision of being the most consistent and innovative risk partner by being transparent about our progress and focusing on each of our six strategic priorities namely Portfolio optimisation, Sustainable growth, Bring the enterprise together, Modernise our business, Our people and Our culture. Through it all, we remain fundamentally guided by our purpose of enabling a more resilient future.

## Chief Executive Officer's statement continued

For instance, we have incorporated our portfolio optimisation initiatives into our 2023 business plan. This is on top of building our enterprise focus, improving and simplifying how we operate to ensure we achieve greater consistency and innovation across our global organisation.

To support our ambitions, we have also made moves to modernise our business, making good progress on our digitalisation efforts, such as the launch of the Qnect intermediary platform and our one-click renewal capability. This means continued focus on our core platforms and simplifying our IT estate to make QBE an easier partner to deal with and work for.

I am pleased with the progress we have made against our strategic objectives for 2022. Today, QBE Malaysia is strategically, operationally, and financially stronger. I am optimistic of what the future holds for QBE Malaysia in 2023 and beyond.

**Sunther Kuppan**

**Chief Executive Officer**

**QBE Insurance (Malaysia) Berhad**

# Financial report & statements contents

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# Directors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in presenting their report to the member together with the annual audited financial statements of the Company for the financial year ended 31 December 2022.

## Principal Activity

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

## Financial Results

Net profit for the financial year RM 9,031,282

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

## Dividends

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

## Reserves and Provisions

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

## Provision for Outstanding Claims

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

## Share Capital

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

## Other Statutory Information

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



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

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

- (g) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the RBC Framework for insurers issued by BNM.

## Corporate Governance

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

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

### (a) Board Responsibility and Oversight

The Board comprises four Directors, represented by three independent non-executive directors (including the Chairman) and an executive director. Five meetings were held during the financial year ended 31 December 2022 and four meetings have been scheduled for the year 2023, with additional meetings to be convened as necessary.

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

### (b) Committees

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

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

(i) Audit Committee

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

# Directors' report continued

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

## Corporate Governance (continued)

### (b) Committees (continued)

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

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

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

#### (ii) Nomination Committee

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

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

#### (iii) Remuneration Committee

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

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

#### (iv) Risk & Capital Committee

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

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

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

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

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

### (c) Management Accountability

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

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

**(d) Public Accountability**

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

**(e) Corporate Independence**

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

**(f) Financial Reporting**

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

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

**Meetings of Directors**

	Full meeting of directors	Meetings of Committees			Risk & Capital
		Audit	Nomination	Remuneration	
Number of meetings held during the year	5	4	1	2	4
	Number Attended	Number Attended	Number Attended	Number Attended	Number Attended
Arunothayam Rajaratnam	5	4	1	2	4
Dato' Tan Ang Meng	5	4	1	2	4
Jason Andrew Hammond	5	4	1	2	4
Saw Teow Yam	5	4	1	2	4

**Directors and their Interests in Shares**

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

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

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

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

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

Shares in QBE Insurance Group Limited (Ultimate holding company)	At 1.1.2022	Granted	Extinguished	At 31.12.2022
Jason Andrew Hammond	78,388	18,492	-	96,880

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

## Directors' report continued

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

### Directors' Remuneration

The Directors' remuneration for the financial year comprises Non-Executive Directors' fee of RM273,264 and others of RM4,000.

### Indemnity to Directors and Officers

During the financial year, the total amount of indemnity insurance paid for the Directors and certain officers of the Company were RM14,590.

### Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options and rights granted over the shares of the ultimate holding corporation as disclosed in this report.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of fees and other emoluments received or due and receivable by directors) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain directors received remuneration from the Company's ultimate holding corporation and other related corporations.

### Share Option Scheme

No Share Option Scheme was offered during the financial year.

### Ultimate Holding Corporation

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

### Registered Office and Principal Place of Business

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

### Auditors' Remuneration

The auditors' remuneration for the financial year is statutory audit fee of RM303,772 and other services of RM1,000.

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

### Auditors

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

This report was approved by the Board of Directors on 23 March 2023. Signed on behalf of the Board of Directors:



Arunothayam Rajaratnam  
Director

Petaling Jaya



Jason Andrew Hammond  
Director

# Statement by directors

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

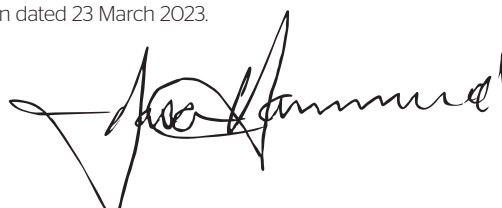
We, Arunothayam Rajaratnam and Jason Andrew Hammond, two of the Directors of QBE Insurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 62 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022, financial performance and cash flows of the Company for the financial year ended 31 December 2022 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 March 2023.



Arunothayam Rajaratnam  
Director

Petaling Jaya



Jason Andrew Hammond  
Director

# Statutory declaration

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

I, Lim Boon Boon, the officer primarily responsible for the financial management of QBE Insurance (Malaysia) Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 20 to 62 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Lim Boon Boon

Subscribed and solemnly declared by the above named Lim Boon Boon at Petaling Jaya in the State of Selangor Darul Ehsan on 23 March 2023.

Before me,



Commissioner for Oaths

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

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

(Incorporated in Malaysia)

Registration No. 198701002415 (161086-D)

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

In our opinion, the financial statements of QBE Insurance (Malaysia) Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 62.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **OTHER MATTERS**

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

**PricewaterhouseCoopers MY**

PricewaterhouseCoopers PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
23 March 2023

**Chan Suet Lye**

Chan Suet Lye  
03603/10/2023 J  
Chartered Accountant

# Statement of financial position

AS AT 31 DECEMBER 2022

	NOTE	2022 RM	2021 RM
<b>Assets</b>			
Plant and equipment	3	2,204,118	3,242,709
Intangible assets	4	392,685	733,834
Right-of-use assets	5	5,451,175	5,909,188
Investments	6	504,088,116	488,199,944
Fair value through profit or loss	6(a)	10,174,467	-
Loans and receivables	6(b)	493,913,649	488,199,944
Reinsurance assets	11	83,453,864	73,419,312
Insurance receivables	7	57,165,917	70,128,830
Other receivables	8	44,975,712	49,341,638
Deferred tax asset	12	4,473,018	3,695,380
Tax recoverable		1,181,704	1,181,704
Cash and bank balances		43,807,836	19,449,327
<b>Total assets</b>		<b>747,194,145</b>	<b>715,301,866</b>
<b>Liabilities</b>			
Insurance contract liabilities	11	456,104,373	417,934,061
Lease liabilities	5	272,134	664,313
Insurance payables	13	10,342,019	23,676,632
Tax payable		3,771,977	1,393,789
Other payables	14	39,683,221	43,643,932
<b>Total liabilities</b>		<b>510,173,724</b>	<b>487,312,727</b>
<b>Shareholders' equity</b>			
Share capital	9	108,000,000	108,000,000
Retained earnings	10	129,020,421	119,989,139
		237,020,421	227,989,139
<b>Total liabilities and shareholders' equity</b>		<b>747,194,145</b>	<b>715,301,866</b>

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

# Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 RM	2021 RM
Gross earned premiums	15(a)	210,628,861	219,209,847
Premium ceded to reinsurers	15(b)	(36,972,426)	(46,562,338)
<b>Net earned premiums</b>		173,656,435	172,647,509
Investment income	16	10,779,619	10,166,370
Gain/(loss) on disposal of property, plant and equipment		578	(6,586)
Fair value loss on investments	6	(22,000)	-
Reinsurance commission income		5,158,543	6,132,872
Other operating income		3,149,274	241,157
<b>Total revenue</b>		192,722,449	189,181,322
Gross claims paid		(88,509,956)	(71,470,987)
Claims recoveries from or (to) reinsurers		24,478,232	(202,430)
Gross charge to claims liabilities		(39,764,624)	(19,886,326)
Change in claims liabilities ceded to reinsurers		10,975,738	(3,453,125)
<b>Net claims incurred</b>		(92,820,610)	(95,012,868)
Fee and commission expense		(36,105,784)	(34,528,965)
Management expenses	18	(47,657,377)	(46,465,430)
<b>Other expenses</b>		(83,763,161)	(80,994,395)
<b>Profit before taxation</b>		16,138,678	13,174,059
Taxation	20	(7,107,396)	(3,577,498)
<b>Net profit and total comprehensive income for the year</b>		9,031,282	9,596,561
Earnings per share (sen)	21	4.18	4.44

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

# Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	SHARE CAPITAL RM	DISTRIBUTABLE RETAINED EARNINGS RM	TOTAL RM
<b>At 1 January 2021</b>	108,000,000	110,392,578	218,392,578
Total comprehensive income for the financial year	-	9,596,561	9,596,561
<b>At 31 December 2021</b>	108,000,000	119,989,139	227,989,139
<b>At 1 January 2022</b>	108,000,000	119,989,139	227,989,139
Total comprehensive income for the financial year	-	9,031,282	9,031,282
<b>At 31 December 2022</b>	108,000,000	129,020,421	237,020,421

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

# Statement of cash flows

For the financial year ended 31 December 2022

	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year	9,031,282	9,596,561
Adjustments for :		
Depreciation on property, plant and equipment	1,215,754	1,211,902
Amortisation of intangible assets	500,558	716,090
Depreciation of right-of-use assets	591,053	713,604
(Gain)/loss on disposal of property, plant and equipment	(578)	6,586
Fair value loss on investments	22,000	-
(Write-back of)/Allowance of impairment on insurance receivables	(1,486,525)	965,954
Allowance of impairment on other receivables	1,095,283	-
Investment income	(10,779,619)	(10,166,370)
Interest expense for lease liabilities	14,408	23,801
Taxation	7,107,396	3,577,498
<b>Profit from operation before changes in operating assets and liabilities</b>	<b>7,311,012</b>	<b>6,645,626</b>
Purchase of FVTPL investments	(10,055,000)	-
Increase in LAR investments	(5,700,055)	(12,299,945)
Decrease in premium liabilities	(653,126)	(9,146,548)
Decrease in claims liabilities	28,788,886	23,339,451
Decrease in insurance receivables	14,449,438	3,734,494
Decrease in other receivables	3,270,642	3,170,287
(Decrease)/increase in insurance payables	(13,334,614)	7,890,077
Decrease in other payables	(3,960,711)	(23,688,752)
Income taxes paid	(5,506,844)	(4,524,539)
Interest income received	10,624,502	11,913,644
Interest charge on lease liabilities	(14,408)	(23,801)
<b>Net cash generated from operating activities</b>	<b>25,219,722</b>	<b>7,009,994</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of plant and equipment	1,364,200	269,861
Purchase of plant and equipment	(1,540,785)	(2,080,571)
Purchase of intangible assets	(159,409)	(471,146)
<b>Net cash used in investing activities</b>	<b>(335,994)</b>	<b>(2,281,856)</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Lease payment	(525,219)	(639,516)
<b>Net cash used in financing activity</b>	<b>(525,219)</b>	<b>(639,516)</b>
Net movement in cash and cash equivalents	24,358,509	4,088,622
Cash and cash equivalents at 1 January	19,449,327	15,360,705
Cash and cash equivalents at 31 December	43,807,836	19,449,327
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	43,807,836	19,449,327

## Reconciliation of liabilities arising from financing activity

	2022 RM	2021 RM
<b>Lease liabilities</b>		
At 1 January	664,313	1,032,356
Cash flows	(539,628)	(663,317)
Interest charge	14,408	23,801
Lease addition	133,038	271,473
At 31 December	272,131	664,313

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

# Notes to the financial statements

## 1. Principal activity

The Company, a public limited liability Company incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of these activities during the financial year.

## 2. Significant accounting policies

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

### 2.1 Basis of Preparation

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

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

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the reporting date.

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

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

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

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

- Amendments to MFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021
- Amendments to MFRS 116, Proceeds before Intended Use
- Amendments to MFRS 3, Reference to Conceptual Framework
- Amendments to MFRS 137, Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to MFRS 1, Subsidiary as First-time Adopter
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141, Taxation in Fair Value Measurements
- Annual Improvements to MFRS 9, Fees in the '10 percent' test for Derecognition of Financial Liabilities

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2022.

#### Effective for financial periods beginning on or after 1 January 2023

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on Disclosure of Accounting Policies and Definition of Accounting Estimate
- Amendments to MFRS 112, Deferred Tax related to Assets and Liabilities arising from Single Transaction
- MFRS 17, Insurance Contracts and its amendments
- Amendments to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information"

#### Effective for financial periods beginning on or after 1 January 2024

- Amendments to MFRS 101, Classification of Liabilities as Current or Non-current
- Amendments to MFRS 16 on Lease Liability in a Sale and Leaseback

Management expects that the adoption of the above standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

#### MFRS 17 'Insurance Contracts'

The Company will apply MFRS 17 for the first time on 1 January 2023. It is a comprehensive new accounting standard for insurance and reinsurance contracts covering recognition, measurement, presentation and disclosure, and is expected to have a material impact on the Company's financial statements in the period of initial application.



## Measurement of insurance contracts

### *Measurement models*

The standard introduces a new 'general measurement model' ("GMM") for the recognition and measurement of insurance contracts. The liability for remaining coverage ("LRC") on insurance contracts issued, which represents insurance coverage to be provided after the balance date, is measured as the sum of:

- the present value of expected future cash flows and a risk adjustment (collectively referred to as the 'fulfilment cash flows'); and
- a contractual service margin ("CSM"), being the unearned profit, which is recognised as insurance revenue in profit or loss over the coverage period of the contracts. The CSM is earned based on a pattern of coverage units which may not be the same as the pattern of incidence of risk used to earn gross written premium under MFRS 4 'Insurance Contracts'.

A reinsurance asset for remaining coverage ("RI ARC") on reinsurance contracts held is measured on a similar basis, except there is no unearned profit but a net cost on purchasing the reinsurance.

The MFRS 17 LRC and RI ARC replace MFRS 4 unearned premium and deferred insurance and reinsurance costs in the Company's statement of financial position.

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

MFRS 17 permits the use of a simplified measurement approach referred to as the 'Premium Allocation Approach' ("PAA").

Under both the GMM and the PAA, the liability for incurred claims ("LIC"), which is equivalent to the claims liability under MFRS 17, is measured as the sum of the fulfilment cash flows. However, the PAA introduces a simplified approach for measuring the LRC.

A group of insurance contracts in which each contract has a coverage period of 12 months or less automatically qualifies for use of the PAA. For contracts with a coverage period of more than 12 months, an entity may apply the PAA if it results in a LRC for the group of contracts that does not differ materially from the LRC that would result from applying the GMM. The Company has developed a model and methodology for assessing eligibility of contracts with coverage periods of greater than one year to apply the PAA. The assessment, which involved detailed modelling under a range of scenarios as well as a qualitative assessment of contract features has determined that the PAA is expected to apply to the Company's business.

For groups of contracts that apply the PAA and have a coverage period of one year or less, MFRS 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Company does not plan to apply this option and expects to amortise acquisition costs over the coverage period of the related insurance contracts.

### *Onerous contracts*

A 'group' of insurance contracts issued is onerous at initial recognition if the total fulfilment cash flows, previously recognised acquisition cash flows and any cash flows arising from the contracts (such as premiums received) is a net outflow. Groups of contracts that were not onerous on initial recognition can become onerous on subsequent measurement due to unfavourable changes in the fulfilment cash flows that relate to future service (for example, increased estimates of expected claims to be incurred over the period of remaining coverage). The shortfall (or reversal of any previous shortfall) is immediately recognised in profit or loss.

MFRS 17 requires the identification of groups of onerous contracts at a more granular level of aggregation than the level at which the liability adequacy test is performed under MFRS 4 (i.e. entity level).

Contracts measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which include consideration of management information for planning and performance management purposes.

If facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised in profit or loss. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance), with the impact on equity and profit or loss mitigated by related income on reinsurance recoveries to the extent that the onerous contracts are covered by reinsurance.

### *Risk adjustment*

The measurement of insurance contract liabilities will include a risk adjustment, which replaces the Provision of Risk Margin for Adverse Deviation ("PRAD") under MFRS 4. The MFRS 4 PRAD reflects the inherent uncertainty in the central estimate, whereas the MFRS 17 risk adjustment is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. The Company intends to apply a cost of capital approach as a key input to determining the risk adjustment for both the liability for incurred claims and the liability for remaining coverage.

When applying the PAA, an explicit risk adjustment for the liability for remaining coverage is only required when measuring onerous contracts.

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

#### 2.1 Basis of Preparation (continued)

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

###### *Risk adjustment (continued)*

The risk adjustment includes the benefit of diversification and reflects an allocation of diversification benefits.

MFRS 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities.

###### *Discount rates*

MFRS 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. The Company will apply a 'bottom-up approach' which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts.

The illiquidity premium within discount rates is expected to be based on the long-term weighted average credit spread of a reference portfolio of assets consistent with the Company's related insurance contract liabilities over the longer term. The effect of credit risk and other factors that are not relevant to the illiquidity characteristics of insurance contracts will be eliminated to estimate the portion of the spread that reflects the illiquidity premium.

###### *Foreign exchange*

Insurance contract assets and liabilities that are denominated in foreign currency are treated as monetary items under MFRS 17. This differs from current industry practice in respect of unearned premium and deferred acquisition costs which are treated as non-monetary items.

###### *Presentation and disclosure*

The standard introduces changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the statement of comprehensive income and statement of financial position and increased disclosures compared with existing reporting requirements.

Existing insurance and reinsurance contract line items on the statement of financial position (including insurance receivables, insurance payables, insurance contract liabilities, reinsurance assets) will be replaced by insurance contract assets and liabilities, and reinsurance contract assets and liabilities. Insurance contract liabilities under MFRS 17 will include all cash flows that directly relate to the fulfillment of insurance contracts (direct business and inward reinsurance), including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as direct overheads which are currently recognised in trade and other payables on the statement of financial position.

###### *Transition*

MFRS 17 will be applied retrospectively to all of the Company's insurance and reinsurance contracts on transition. The Company has maximised the use of available information to achieve the closest approximation as possible to a full retrospective approach to transition. Where this is impracticable, allowable modifications under MFRS 17 has been used.

###### *Financial impact*

The requirements of MFRS 17 are complex, and the expectations noted above will change as the Company works to finalise key assumptions in relation to each of the above components.

Based on the preliminary assessment undertaken, the adoption of MFRS17 is expected to decrease the Company's retained earnings as at 1 January 2022. The Company will restate the comparative information on adoption of MFRS 17.

#### **MFRS 9 'Financial Instruments'**

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

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

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

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

The Company intends to adopt MFRS 9 together with MFRS 17. Based on the preliminary assessment undertaken, the adoption of MFRS 9 is expected to have no material impact to the Company's retained earnings as at 1 January 2022.

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

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

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

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

There is no financial impact to the Company.

#### **Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2024)**

Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

There is no financial impact to the Company.

## **2.2 Summary of Significant Accounting Policies**

### **(a) Plant and Equipment**

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

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

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

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

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

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

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

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

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

##### (b) Intangible Assets

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

##### (c) Leases

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

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

##### *Lease Term*

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

##### *ROU assets*

ROU assets are initially measured at cost comprising the following:

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

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities. Leasehold building is amortised in equal instalments over the period of lease of 69 years.

##### *Lease liabilities*

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

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

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

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

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

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

##### *Short term leases and leases of low value assets*

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

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

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

An impairment loss is charged to profit or loss immediately.

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

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

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

*LAR*

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

*Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss."

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

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

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

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

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

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

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

##### (i) Product Classification

The Company issues contracts that transfer insurance risk.

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

##### (j) General Insurance Underwriting Results

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

##### *Gross Premiums*

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

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

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



### *Premium Liabilities*

Premium liabilities refer to the higher of:

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

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

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

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

### *Claims Liabilities*

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

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

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

### *Acquisition Costs*

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

## **(k) Reinsurance**

### *Reinsurance ceded*

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

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

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

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

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

##### (k) Reinsurance (continued)

###### *Reinsurance assumed*

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

Premium and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business. Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract.

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

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

##### (l) Insurance Receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same processes adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

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

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

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

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

These liabilities comprise claims liabilities and premiums liabilities.

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting data using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

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

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

**(o) Other Revenue Recognition**

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

*Rental Income*

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

*Interest and Profit Income*

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

*Dividend Income*

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

*Realised Gains and Losses on Investments*

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

**(p) Reinsurance commission income**

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

**(q) Income Tax**

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

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

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

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

**(r) Provisions**

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

**(s) Employee Benefits**

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

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

**(ii) Post-employment Benefits**

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

## Notes to the financial statements continued

### 2. Significant accounting policies (continued)

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

##### (s) Employee Benefits (continued)

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

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

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

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

##### (t) Foreign Currencies

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

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

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

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

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

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

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

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

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

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

##### (x) Share Capital

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

##### (y) Dividends

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

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

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

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

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

***Valuation of General Insurance Contract Liabilities***

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

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

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. Historical claims development data is adjusted for the impact of inflation, and explicit assumptions are made for the rate of future claims inflation applied to the projected losses. Additional qualitative judgement is used to assess the extent to which the past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

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

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	WORK-IN- PROGRESS RM	TOTAL RM
<b>Net book value</b>							
At 1 January 2022	118,920	1,245,373	203,321	261,110	52,987	1,360,998	3,242,709
Additions	-	965,707	77,366	610	497,102	-	1,540,785
Written off	-	-	-	(2,624)	-	(1,360,998)	(1,363,622)
Depreciation	(71,351)	(892,797)	(67,509)	(57,238)	(126,859)	-	(1,215,754)
At 31 December 2022	47,569	1,318,283	213,178	201,858	423,230	-	2,204,118
<b>At 31 December 2022</b>							
Cost	362,340	6,602,396	1,047,394	849,734	1,305,771	-	10,167,635
Accumulated depreciation	(314,771)	(5,284,113)	(834,216)	(647,876)	(882,541)	-	(7,963,517)
Net Book Value	47,569	1,318,283	213,178	201,858	423,230	-	2,204,118

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

#### 4. Intangible Assets

	2022 RM	2021 RM
<b>Cost</b>		
At 1 January	11,007,247	10,536,101
Additions	159,409	471,146
At 31 December	11,166,656	11,007,247
<b>Accumulated amortisation</b>		
At 1 January	10,273,413	9,557,323
Amortisation during the financial year	500,558	716,090
At 31 December	10,773,971	10,273,413
<b>Net book value</b>		
At 31 December	392,685	733,834

#### 5. Right-of-use assets

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

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

	2022 RM	2021 RM
Carrying amounts of ROU asset by class of underlying assets:		
Properties	5,324,091	5,822,458
Equipment	127,084	86,730
	5,451,175	5,909,188
Additions to the ROU assets during the financial year	118,636	444,946
Depreciation charge of ROU assets by class of underlying assets:		
Properties	(535,688)	(659,703)
Equipment	(55,365)	(53,901)
	(591,053)	(713,604)
Lease Liabilities		
Amount due for settlement within 12 months	207,799	480,891
Amount due for settlement after 12 months	64,335	183,422
	272,134	664,313

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

	<b>2022 RM</b>	<b>2021 RM</b>
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	10,033,000	-
Accrued interest	141,467	-
	10,174,467	-
Loan and receivables ("LAR")	489,000,000	483,299,945
Accrued interest	4,913,649	4,899,999
	493,913,649	488,199,944
<b>Total investments</b>	<b>504,088,116</b>	<b>488,199,944</b>
The following investments mature after 12 months		
FVTPL	10,174,467	-
The following investments mature within 12 months		
LAR	493,913,649	488,199,944

**(a) FVTPL**

<b>Fair value</b>	<b>2022 RM</b>	<b>2021 RM</b>
Malaysian Government Securities	10,033,000	-
Accrued interest	141,467	-
<b>Total investment at FVTPL</b>	<b>10,174,467</b>	<b>-</b>

**(b) LAR**

<b>Amortised cost</b>	<b>2022 RM</b>	<b>2021 RM</b>
Deposits with financial institutions	489,000,000	483,299,945
Accrued interest	4,913,649	4,899,999
<b>Total investments at LAR</b>	<b>493,913,649</b>	<b>488,199,944</b>

The carrying value of investments in LAR as at 31 December 2022 (31 December 2021) approximates their fair values.

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

	<b>FVTPL RM</b>	<b>LAR RM</b>	<b>TOTAL RM</b>
<b>At 1 January 2021</b>	-	477,647,273	477,647,273
Purchases/deposits	-	612,899,945	612,899,945
Maturities	-	(600,600,000)	(600,600,000)
Movement in accrued interest	-	(1,747,274)	(1,747,274)
<b>At 31 December 2021</b>	-	488,199,944	488,199,944
Purchases/deposits	10,055,000	842,000,000	852,055,000
Maturities	-	(836,299,945)	(836,299,945)
Fair value losses recorded in profit or loss	(22,000)	-	(22,000)
Movement in accrued interest	141,467	13,650	155,117
<b>At 31 December 2022</b>	<b>10,174,467</b>	<b>493,913,649</b>	<b>504,088,116</b>



## 7. Insurance receivables

	2022 RM	2021 RM
Due premiums including agents/brokers and co-insurers balances	43,854,554	43,904,729
Due from reinsurers and cedants	17,327,822	31,727,085
Allowance for impairment	61,182,376 (4,016,459)	75,631,814 (5,502,984)
	57,165,917	70,128,830
Receivable within 12 months	57,165,917	70,128,830
	2022 RM	2021 RM
Gross amount of recognised financial assets, net of allowance for impairment	78,765,721	80,110,081
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 13)	(21,599,804)	(9,981,251)
Net amounts of financial assets presented in the statement of financial position	57,165,917	70,128,830

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2022 (31 December 2021: Nil). The carrying amount of insurance receivables as at 31 December 2022 (31 December 2021) approximates their fair values.

## 8. Other receivables

	2022 RM	2021 RM
Malaysian Motor Insurance Pool ("MMIP")		
- Cash calls made	10,859,477	12,859,477
- Other assets held in MMIP	29,980,840	32,365,006
Amount due from related companies	40,840,317	45,224,483
Other receivables	27,074 4,108,321	- 4,117,155
	44,975,712	49,341,638
Receivables within 12 months	44,721,699	47,887,625

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

MMIP as at 31 December 2022 is a net receivable of RM25,160,114 (2021: net receivable of RM21,398,751) after setting off the amount receivable from MMIP against the Company's share of MMIP's claims and premium liabilities amounting RM17,548,201 (2021: RM23,825,732) included in Insurance Contract Liabilities (Note 11) to the financial statements.

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

	2022		2021	
	NO OF SHARES	RM	NO OF SHARES	RM
<u>Issued and fully paid share capital</u>				
At 1 January/31 December -				
Ordinary shares	216,000,000	108,000,000	216,000,000	108,000,000

**10. Retained earnings**

The Company may distribute single tier exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51 (1) of the Financial Services Act 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

**11. Insurance contract liabilities**

	GROSS RM	REINSURANCE RM	NET RM
<b>At 31 December 2022</b>			
Provision for outstanding claims	257,166,534	(54,935,762)	202,230,772
Provision for incurred but not reported claims ("IBNR")	123,284,816	(24,048,961)	99,235,855
Claims liabilities (i)	380,451,350	(78,984,723)	301,466,627
Premium liabilities (ii)	75,653,023	(4,469,141)	71,183,882
	456,104,373	(83,453,864)	372,650,509
<b>At 31 December 2021</b>			
Provision for outstanding claims	243,618,592	(56,294,170)	187,324,422
Provision for incurred but not reported claims ("IBNR")	97,068,134	(11,714,815)	85,353,319
Claims liabilities (i)	340,686,726	(68,008,985)	272,677,741
Premium liabilities (ii)	77,247,335	(5,410,327)	71,837,008
	417,934,061	(73,419,312)	344,514,749
		<b>2022 RM</b>	<b>2021 RM</b>
Gross:			
Current		325,458,227	272,976,744
Non current		130,646,146	144,957,317
		456,104,373	417,934,061
Reinsurance:			
Current		(63,818,467)	(52,035,165)
Non current		(19,635,397)	(21,384,147)
		(83,453,864)	(73,419,312)
Net:			
Current		261,639,760	220,941,579
Non current		111,010,749	123,573,170
		372,650,509	344,514,749

	GROSS RM	2022 REINSURANCE RM	NET RM
<b>(i) Claims liabilities</b>			
<b>At 1 January</b>	340,686,726	(68,008,985)	272,677,741
Claims incurred in the current accident year	124,999,595	(22,867,188)	102,132,407
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	43,412,510	(33,850,782)	9,561,728
Other claims experience movements to claims incurred	(40,137,525)	21,264,000	(18,873,525)
Claims paid during the financial year	(88,509,956)	24,478,232	(64,031,724)
<b>At 31 December</b>	380,451,350	(78,984,723)	301,466,627
<b>(ii) Premium liabilities</b>			
<b>At 1 January</b>	77,247,335	(5,410,327)	71,837,008
Premium written in the financial year (notes 15)	209,034,549	(36,031,240)	173,003,309
Premium earned during the financial year	(210,628,861)	36,972,426	(173,656,435)
<b>At 31 December</b>	75,653,023	(4,469,141)	71,183,882
	GROSS RM	2021 REINSURANCE RM	NET RM
<b>(i) Claims liabilities</b>			
<b>At 1 January</b>	320,800,401	(71,462,111)	249,338,290
Claims incurred in the current accident year	116,352,882	(8,549,665)	107,803,217
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	18,083,067	(9,612,322)	8,470,745
Other claims experience movements to claims incurred	(43,078,637)	21,817,543	(21,261,094)
Claims paid during the financial year	(71,470,987)	(202,430)	(71,673,417)
<b>At 31 December</b>	340,686,726	(68,008,985)	272,677,741
<b>(ii) Premium liabilities</b>			
<b>At 1 January</b>	86,919,569	(5,936,013)	80,983,556
Premium written in the financial year (notes 15)	209,537,613	(46,036,652)	163,500,961
Premium earned during the financial year	(219,209,847)	46,562,338	(172,647,509)
<b>At 31 December</b>	77,247,335	(5,410,327)	71,837,008

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

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

	<b>2022 RM</b>	<b>2021 RM</b>
As at 1 January	3,695,380	3,265,355
Recognised in income statement (note 20)	777,638	430,025
As at 31 December	4,473,018	3,695,380

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

	<b>AT 1 JANUARY RM</b>	<b>(CHARGED)/ CREDITED RM</b>	<b>AT 31 DECEMBER RM</b>
<b>2022</b>			
Recognised in income statement:			
Excess of capital allowance over depreciation	(142,565)	(25,712)	(168,277)
Impairment loss on insurance receivables	1,320,716	(356,766)	963,950
Premium liabilities	632,147	41,226	673,373
Employee benefits accrued	802,898	490,417	1,293,315
Other provisions	1,082,184	623,193	1,705,377
Fair value changes of FVTPL investments	-	5,280	5,280
	3,695,380	777,638	4,473,018
<b>2021</b>			
Recognised in income statement:			
Excess of capital allowance over depreciation	(8,686)	(133,879)	(142,565)
Impairment loss on insurance receivables	1,088,887	231,829	1,320,716
Premium liabilities	518,297	113,850	632,147
Employee benefits accrued	1,109,522	(306,624)	802,898
Other provisions	557,335	524,849	1,082,184
	3,265,355	430,025	3,695,380

**13. Insurance payables**

	<b>2022 RM</b>	<b>2021 RM</b>
Due to agents and intermediaries	7,349,728	4,273,292
Due to reinsurers and cedants	2,992,291	19,403,340
	10,342,019	23,676,632
Payable within 12 months	10,342,019	23,676,632

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

	<b>2022 RM</b>	<b>2021 RM</b>
Gross amounts of recognised financial liabilities	31,941,823	33,657,883
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 7)	(21,599,804)	(9,981,251)
Net amounts of financial liabilities presented in the statement of financial position	10,342,019	23,676,632

As disclosed in Note 7 to the financial statements, there are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2022 (31 December 2021: Nil).

## 14. Other payables

	2022 RM	2021 RM
Payroll liabilities	5,775,981	3,787,244
Duties and other taxes payable	9,998	64,132
Other liabilities	8,899,661	5,881,850
Advance cash call for reinsurers	12,975,181	22,666,056
Accrual of Head Office Charges	9,500,520	9,224,544
Provision for profit commission	2,521,880	2,020,106
	39,683,221	43,643,932

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

All amounts are payable within one year.

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

	2022 RM	2021 RM
At 1 January	2,020,106	1,950,227
Profit commission paid	(2,252,226)	(1,757,121)
Over provision in prior financial year	(176,392)	(193,106)
Current financial year	2,930,392	2,020,106
At 31 December	2,521,880	2,020,106

## 15. Net earned premiums

	2022 RM	2021 RM
<b>(a) Gross earned premiums</b>		
Written premium	209,034,549	209,537,613
Change in premium liabilities	1,594,312	9,672,234
	210,628,861	219,209,847
<b>(b) Premiums ceded</b>		
Ceded premium	(36,031,240)	(46,036,652)
Change in premium liabilities	(941,186)	(525,686)
	(36,972,426)	(46,562,338)
<b>Net earned premiums</b>	173,656,435	172,647,509

## 16. Investment income

	2022 RM	2021 RM
FVTPL investment		
Interest income	52,663	-
LAR investments		
Interest income	11,403,425	10,922,402
Investment income - MMIP	(676,469)	(756,032)
	10,779,619	10,166,370

Notes to the financial statements continued**17. Fair value losses**

	<b>2022 RM</b>	<b>2021 RM</b>
Financial assets at FVTPL designated upon initial recognition (note 6)	(22,000)	-
	(22,000)	-

**18. Management expenses**

	<b>2022 RM</b>	<b>2021 RM</b>
Staff salaries and bonus	19,686,428	15,699,729
Defined contribution plans	2,701,964	2,384,480
Other employee benefits	1,196,610	1,743,383
Staff costs	23,585,002	19,827,592
Non-Executive Directors:		
Fees	273,264	273,264
Others	4,000	5,000
Directors' remuneration	277,264	278,264
Depreciation of plant and equipment	1,215,754	1,211,902
Amortisation of intangible assets	500,558	716,090
Depreciation of right-of-use assets	591,053	713,605
Auditors' remuneration:		
Statutory audit:		
Current year	303,772	282,578
Under provision in prior year	-	12,500
Other services	1,000	1,000
Office rental	19,701	30,788
EDP expenses	2,504,029	4,024,600
Communication expenses	174,159	161,916
Travelling expenses	775,928	363,181
Bad debts and doubtful debts:		
Allowance of impairment on insurance receivables	(1,486,525)	965,954
Allowance of impairment on other receivables	1,095,283	-
Bad debts recoveries	(31,340)	-
Bad debts written off	559,633	41,822
Head office expenses	9,500,520	9,224,536
Interest expense for lease liabilities	14,408	23,801
Restructuring cost	-	78,408
Other expenses	8,057,178	8,506,893
	23,795,111	26,359,574
Total Expenses	47,657,377	46,465,430

Included in staff costs are benefits-in-kind attributable to the Company's Chief Executive Officer amounting to RM794,307 (2021: RM809,901).

## 19. Key management personnel

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

The total remuneration of the Directors is disclosed in Note 18 to the financial statements.

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

	FEE RM	SALARY RM	BONUS RM	OTHERS RM	BENEFIT- IN-KIND RM	TOTAL RM
<b>2022</b>						
<u>Chief Executive Officer</u>						
Sunther Kuppan	-	633,360	15,242	110,506	35,199	794,307
<u>Non-Executive Directors</u>						
Arunothayam Rajaratnam	129,264	-	-	-	-	129,264
Dato' Tan Ang Meng	72,000	-	-	4,000	-	76,000
Saw Teow Yam	72,000	-	-	-	-	72,000
	273,264	633,360	15,242	114,506	35,199	1,071,571

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

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

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

	2022 RM	2021 RM
Salary and other remuneration	3,013,995	2,649,850
Benefits-in-kind	51,502	38,596
Share-based payment	17,599	-
	3,083,096	2,688,446

	Number of officers	
	2022	2021
Salary and other remuneration	7	8
Benefits-in-kind	7	8
Share-based payment	3	0

Notes to the financial statements continued**20. Income tax expense**

	<b>2022</b> <b>RM</b>	<b>2021</b> <b>RM</b>
Current tax	7,885,034	4,007,523
Deferred tax (note 12)	(777,638)	(430,025)
<b>Tax expense</b>	<b>7,107,396</b>	<b>3,577,498</b>
<u>Current tax</u>		
Current year	5,295,380	4,377,187
Under/(over) provision in prior financial years	2,589,654	(369,664)
	7,885,034	4,007,523
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(302,104)	(511,263)
(Over)/under provision in prior financial years	(475,534)	81,238
	(777,638)	(430,025)
	7,107,396	3,577,498
Reconciliation of prime facie tax to income tax expenses:		
Profit before tax	16,138,678	13,174,059
Tax calculated at the Malaysian Tax rate of 24%	3,873,283	3,161,774
Tax effect of:		
Non-deductible expenses	745,993	219,252
Non-deductible foreign reinsurance expenses	374,000	484,898
(Over)/under provision in prior financial years	2,114,120	(288,426)
<b>Income tax expense attributable to profit</b>	<b>7,107,396</b>	<b>3,577,498</b>

**21. Earnings per share**

The earnings per ordinary share has been calculated based on the net profit for the financial year of RM9,031,282 (2021: RM9,596,561) and on the weighted average number of ordinary shares in issue during the financial year of 216,000,000 (2021: 216,000,000).

**22. Dividend**

No dividend was paid during the financial year (2021: Nil) and the Directors have not recommended any final dividend to be paid for the financial year under review.



## 23. Significant related party disclosures

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

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

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

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

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

	2022 RM	2021 RM
<b>Ultimate holding company</b>		
Head office charges*	(9,500,520)	(9,224,536)
<b>Business transactions with subsidiaries of ultimate holding:</b>		
Reinsurance claims recoveries	-	223,707
Reinsurance premium ceded	(618,199)	(3,410,001)
Reinsurance commission earned	183,296	847,447
<b>Business transactions with subsidiaries of penultimate holding:</b>		
Reinsurance claims recoveries	(12,039,642)	18,338,552
Reinsurance premium ceded	(20,703,139)	(30,915,778)
Reinsurance commission earned	1,172,599	3,175,033
<b>Business transactions with subsidiaries of immediate holding:</b>		
Reinsurance claims recoveries	(46,636)	49,603
Reinsurance premium ceded	(8,556,849)	(385,787)
Reinsurance commission earned	2,402,670	59,816

## Notes to the financial statements continued

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

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

	2022 RM	2021 RM
<b>Amount due from related companies:</b>		
Insurance receivables	12,835,603	11,325,647
Other receivables	27,074	-
Reinsurance assets - claims liabilities	42,183,091	40,934,473
<b>Amount due to related companies:</b>		
Insurance payables	(8,462,025)	(36,652,112)
Other payables	(10,130,009)	(6,597,293)

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

### 24. Risk management framework

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

The Company's strategy for managing risk is to:

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

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

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

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

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

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

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

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

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

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

**(a) Strategic risk**

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

- performance risk;
- capital risk;
- reputation risk;
- environment, social and governance (ESG) risk; and
- emerging risk.

**(b) Insurance risk**

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

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

**(c) Credit risk**

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

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

**(d) Market risk**

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

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

**(e) Liquidity risk**

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

**(f) Operational risk**

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

- internal fraud;
- external fraud;
- employment practices and workplace safety;
- improper business practices;
- damage to physical assets;
- business disruption and system failures; and
- execution, delivery and process management.

**(g) Compliance risk**

Compliance risk is the risk of legal or regulatory penalties, financial loss or non-financial loss or customer detriment resulting from a non-compliance with laws, regulations or conduct standards.

**(h) Group risk**

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

Notes to the financial statements continued**25. Insurance risk**

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

	2022			2021		
	GROSS RM	REINSURANCE RM	NET RM	GROSS RM	REINSURANCE RM	NET RM
Motor	58,323,413	(841,063)	57,482,350	59,371,668	(805,190)	58,566,478
Fire	98,773,565	(45,651,012)	53,122,553	92,076,175	(37,975,088)	54,101,087
Marine, Aviation & Transit	49,118,853	(7,000,518)	42,118,335	45,415,743	(7,725,410)	37,690,333
Miscellaneous	249,888,542	(29,961,271)	219,927,271	221,070,475	(26,913,624)	194,156,851
Insurance contract liabilities	456,104,373	(83,453,864)	372,650,509	417,934,061	(73,419,312)	344,514,749

**Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumption in respect of average claims costs, claim handling costs and average number of claims for each accident year. Assumptions are also made in relation to the rate of claims inflation in the future.

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

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

**Sensitivities**

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

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

	CHANGE IN ASSUMPTIONS	IMPACT ON	IMPACT ON	IMPACT ON	IMPACT
		GROSS LIABILITIES	NET LIABILITIES	PROFIT BEFORE TAX (ADDITIONAL LOSS)	ON EQUITY
		RM	RM	RM	RM
<b>31 December 2022</b>					
Average claim cost	+10%	38,045,135	30,146,663	30,146,663	22,911,464
Number of claims	+10%	5,447,611	4,316,644	4,316,644	3,280,649
Inflation	+1%	4,252,060	3,466,247	3,466,247	2,634,348
Discount rate	-1%	4,291,196	3,498,122	3,498,122	2,658,573
Ultimate loss ratio	+5%	10,572,356	8,677,988	8,677,988	6,595,271
<b>31 December 2021</b>					
Average claim cost	+10%	34,068,673	27,267,774	27,267,774	20,723,508
Number of claims	+10%	4,105,836	3,286,216	3,286,216	2,497,524
Inflation	+1%	4,358,301	3,699,912	3,699,912	2,811,933
Discount rate	-1%	4,441,880	3,769,455	3,769,455	2,864,786
Ultimate loss ratio	+5%	11,069,999	8,636,586	8,636,586	6,563,805

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

**Claims development table**

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

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

Gross General Insurance Claims Liabilities for 2022:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
At end of accident year		147,906	150,448	318,069	201,375	193,055	142,926	116,353	125,000		
One year later		153,306	144,840	262,359	180,901	220,273	139,792	135,204			
Two years later		146,455	142,151	264,645	176,999	215,128	128,100				
Three years later		141,555	141,354	256,888	174,958	200,019					
Four years later		143,639	136,209	250,089	179,399						
Five years later		139,067	135,721	259,417							
Six years later		137,425	135,791								
Seven years later		135,920									
<b>Current estimate of cumulative claims incurred</b>		135,920	135,791	259,417	179,399	200,019	128,100	135,204	125,000		
<b>Claims payment Accident year</b>											
At end of accident year		30,387	29,013	55,141	47,739	83,516	36,373	17,014	15,967		
One year later		93,762	91,043	166,880	104,172	125,908	59,627	43,092			
Two years later		119,597	113,630	202,520	128,739	132,015	69,575				
Three years later		125,981	123,073	217,449	140,772	149,987					
Four years later		131,350	124,715	225,831	145,134						
Five years later		132,036	127,890	237,977							
Six years later		132,606	129,053								
Seven years later		133,027									
<b>Cumulative payments to-date</b>		133,027	129,053	237,977	145,134	149,987	69,575	43,092	15,967		
Gross general insurance contract liabilities per statement of financial position	11	5,414	2,893	6,738	21,439	34,265	50,033	58,526	92,112	109,032	380,451
Current estimate of surplus % surplus of initial gross reserve			8%	10%	18%	11%	-4%	10%	-16%	0%	

Notes to the financial statements continued**25. Insurance risk** (continued)

Net General Insurance Claims Liabilities for 2022:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE									TOTAL RM'000
		2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
At end of accident year		135,095	141,688	182,898	159,178	139,597	117,511	107,803	102,132		
One year later		130,217	133,720	161,302	144,953	142,288	116,516	108,938			
Two years later		122,328	131,981	168,760	142,647	138,955	108,151				
Three years later		118,863	130,848	159,981	146,038	131,733					
Four years later		118,245	126,195	157,684	150,119						
Five years later		113,896	125,148	160,276							
Six years later		113,179	125,636								
Seven years later		112,288									
<b>Current estimate of cumulative claims incurred</b>		112,288	125,636	160,276	150,119	131,733	108,151	108,938	102,132		
<b>Claims payment Accident year</b>											
At end of accident year		28,684	28,137	47,443	40,445	41,473	27,081	16,431	15,590		
One year later		80,636	86,273	105,958	86,405	75,330	49,338	41,197			
Two years later		99,378	108,009	126,139	105,322	89,797	59,056				
Three years later		104,878	115,142	136,384	118,093	97,134					
Four years later		108,466	116,757	138,494	121,874						
Five years later		107,865	118,199	139,367							
Six years later		109,128	119,345								
Seven years later		109,498									
<b>Cumulative payments to-date</b>		109,498	119,345	139,367	121,874	97,134	59,056	41,197	15,590		
Net general insurance contract liabilities per statement of financial position	11	5,254	2,789	6,290	20,909	28,244	34,600	49,096	67,742	86,542	301,466
Current estimate of surplus % surplus of initial gross reserve			17%	11%	12%	6%	6%	8%	-1%	0%	

Gross General Insurance Claims Liabilities for 2021:

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

Notes to the financial statements continued**25. Insurance risk** (continued)

Net General Insurance Claims Liabilities for 2021:

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



## 26. Financial risks

### (1) Credit Risk

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

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

#### Credit Exposure

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

	NOTE	2022 RM	2021 RM
Investments at FVTPL:			
Malaysian Government Securities	6(a)	10,174,467	-
LAR:			
Fixed and call deposits	6(b)	493,913,649	488,199,944
Reinsurance assets - claims liabilities	11	78,984,723	68,008,985
Insurance receivables	7	57,165,917	70,128,830
Other receivables (exclude prepayment)	8	44,895,560	48,956,458
Cash and bank balances		43,807,836	19,449,327
		728,942,152	694,743,544

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

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

	NEITHER PAST-DUE NOR IMPAIRED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
<b>31 December 2022</b>				
31 December 2022				
Investments at FVTPL:				
Malaysian Government Securities	10,174,467	-	-	10,174,467
LAR:				
Fixed and call deposits	493,913,649	-	-	493,913,649
Reinsurance assets - claims liabilities	78,984,723	-	-	78,984,723
Insurance receivables	39,333,049	17,832,868	4,016,459	61,182,376
Other receivables	44,895,560	-	-	44,895,560
Cash and bank balances	43,807,836	-	-	43,807,836
	711,109,284	17,832,868	4,016,459	732,958,611
Allowance for impairment	-	-	(4,016,459)	(4,016,459)
	711,109,284	17,832,868	-	728,942,152

Notes to the financial statements continued**26. Financial risks** (continued)**(1) Credit Risk** (continued)**Credit Exposure** (continued)

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

**Credit Exposure by Credit Rating**

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

	AAA RM	AA RM	A RM	NOT RATED RM	TOTAL RM
<b>31 December 2022</b>					
Investments at FVTPL:					
Malaysian Government Securities	-	-	-	10,174,467	10,174,467
LAR:					
Fixed and call deposits	258,653,851	235,259,798	-	-	493,913,649
Reinsurance assets - claims liabilities	-	4,091,281	67,874,633	7,018,809	78,984,723
Insurance receivables	-	1,409,576	946,018	54,810,323	57,165,917
Other receivables	-	-	-	44,895,560	44,895,560
Cash and bank balances	42,003,358	-	1,796,478	8,000	43,807,836
	300,657,209	240,760,655	70,617,129	116,907,159	728,942,152
<b>31 December 2021</b>					
LAR:					
Fixed and call deposits	255,176,220	233,023,724	-	-	488,199,944
Reinsurance assets - claims liabilities	-	6,496,213	53,467,538	8,045,234	68,008,985
Insurance receivables	-	3,000,924	2,565,723	64,562,183	70,128,830
Other receivables	-	-	-	48,956,458	48,956,458
Cash and bank balances	17,942,081	-	1,499,246	8,000	19,449,327
	273,118,301	242,520,861	57,532,507	121,571,875	694,743,544

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

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

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

	< 30 DAYS	31-60 DAYS	61-90 DAYS	>90 DAYS	TOTAL
<b>31 December 2022</b>					
Insurance receivables	3,768,395	2,280,333	5,701,962	6,082,178	17,832,868
<b>31 December 2021</b>					
Insurance receivables	6,137,015	13,615,060	8,173,286	6,337,637	34,262,998

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

#### Impaired Financial Assets

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

At 31 December 2022, based on individual assessment of insurance receivables, there are impaired insurance receivables of RM4,016,457 (2021: RM5,502,984). The Company considers insurance receivables classified as "past due and impaired" as those which the Company has remote chance to recover. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables in separate allowance for impairment losses account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	2022 RM	2021 RM
<b>At 1 January</b>		
Allowance	5,502,984 (1,486,525)	4,537,030 965,954
<b>At 31 December</b>	4,016,459	5,502,984

## (2) Liquidity Risk

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

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

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

#### Maturity Profiles

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

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

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

Notes to the financial statements continued**26. Financial risks** (continued)**(2) Liquidity Risk** (continued)**Maturity Profiles** (continued)

	<b>CARRYING VALUE</b>	<b>UP TO A YEAR</b>	<b>1-3 YEARS</b>	<b>3-5 YEARS</b>	<b>5-15 YEARS</b>	<b>TOTAL</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2022</b>						
Investments:						
FVTPL	10,174,467	10,347,082	-	-	-	10,347,082
LAR	493,913,649	499,898,461	-	-	-	499,898,461
Reinsurance assets -						
claims liabilities	78,984,723	59,349,327	14,777,933	2,001,457	2,856,007	78,984,723
Insurance receivables	57,165,917	57,165,917	-	-	-	57,165,917
Tax recoverable	1,181,704	1,181,704	-	-	-	1,181,704
Cash and bank balances	43,807,836	43,807,836	-	-	-	43,807,836
<b>Total assets</b>	<b>685,228,296</b>	<b>671,750,326</b>	<b>14,777,933</b>	<b>2,001,457</b>	<b>2,856,007</b>	<b>691,385,723</b>
Insurance contract liabilities -						
claims liabilities	380,451,350	249,805,204	101,640,771	19,763,344	9,242,031	380,451,350
Insurance payables	10,342,019	10,342,019	-	-	-	10,342,019
Lease liabilities	272,133	207,799	64,334	-	-	272,133
Other payables	33,897,242	33,897,242	-	-	-	33,897,242
Tax payable	3,771,976	3,771,976	-	-	-	3,771,976
<b>Total liabilities</b>	<b>428,734,720</b>	<b>298,024,240</b>	<b>101,705,105</b>	<b>19,763,344</b>	<b>9,242,031</b>	<b>428,734,720</b>
<b>2021</b>						
Investments:						
LAR	488,199,944	493,402,331	-	-	-	493,402,331
Reinsurance assets -						
claims liabilities	68,008,985	46,624,838	18,778,888	2,238,421	366,838	68,008,985
Insurance receivables	70,128,830	70,128,830	-	-	-	70,128,830
Tax recoverable	1,181,704	1,181,704	-	-	-	1,181,704
Cash and bank balances	19,449,327	19,449,327	-	-	-	19,449,327
<b>Total assets</b>	<b>646,968,790</b>	<b>630,787,030</b>	<b>18,778,888</b>	<b>2,238,421</b>	<b>366,838</b>	<b>652,171,177</b>
Insurance contract liabilities -						
claims liabilities	340,686,726	195,729,409	112,612,151	23,651,520	8,693,646	340,686,726
Insurance payables	23,676,632	23,676,632	-	-	-	23,676,632
Lease liabilities	664,313	480,891	183,422	-	-	664,313
Other payables	39,792,556	39,792,556	-	-	-	39,792,556
Tax payable	1,393,789	1,393,789	-	-	-	1,393,789
<b>Total liabilities</b>	<b>406,214,016</b>	<b>261,073,277</b>	<b>112,795,573</b>	<b>23,651,520</b>	<b>8,693,646</b>	<b>406,214,016</b>

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

	CURRENT*	NON-CURRENT	TOTAL
	RM	RM	RM
<b>31 December 2022</b>			
Property, plant and equipment	-	2,204,118	2,204,118
Intangible assets	-	392,685	392,685
Right-of-use assets	185,687	5,265,488	5,451,175
Investments:			
- FVTPL	-	10,174,467	10,174,467
- LAR	493,913,649	-	493,913,649
Reinsurance assets	63,818,467	19,635,397	83,453,864
Insurance receivables	57,165,917	-	57,165,917
Other receivables	44,641,546	254,014	44,895,560
Deferred tax asset	-	4,473,018	4,473,018
Tax recoverable	1,181,704	-	1,181,704
Cash and bank balances	43,807,836	-	43,807,836
<b>Total assets</b>	<b>704,714,806</b>	<b>42,399,187</b>	<b>747,113,993</b>
<b>31 December 2021</b>			
Property, plant and equipment	-	3,242,709	3,242,709
Intangible assets	-	733,834	733,834
Right-of-use assets	27,383	5,881,805	5,909,188
Investments:			
- LAR	488,199,944	-	488,199,944
Reinsurance assets	52,035,165	21,384,147	73,419,312
Insurance receivables	70,128,830	-	70,128,830
Other receivables	47,502,444	1,454,014	48,956,458
Deferred tax asset	-	3,695,380	3,695,380
Tax recoverable	1,181,704	-	1,181,704
Cash and bank balances	19,449,327	-	19,449,327
<b>Total assets</b>	<b>678,524,798</b>	<b>36,391,889</b>	<b>714,916,687</b>

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

### (3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk - foreign exchanges rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

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

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

### Currency Risk

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

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

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

## Notes to the financial statements continued

### 26. Financial risks (continued)

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

##### Interest Rate/Profit Yield Risk

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

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

##### Price Risk

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

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

#### (4) Operational Risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

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

### 27. Regulatory capital requirements

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

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

The capital structure of the company as at 31 December 2022 and 31 December 2021 as prescribed under the RBC Framework is as below:

	NOTE	2022 RM	2021 RM
<b>Eligible Tier 1 Capital</b>			
Share capital (paid-up)	9	108,000,000	108,000,000
Reserves, including retained earnings		129,020,421	119,989,139
		237,020,421	227,989,139
Amounts deducted from Capital	12	(4,473,018)	(3,695,380)
		232,547,403	224,293,759

## 28. Amendments to MFRS 4 – Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts’

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

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

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

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

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

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

	FAIR VALUE AS AT 31.12.2022 RM	CHANGE IN FAIR VALUE RM	CASH FLOWS CHARACTERISTIC
<b>Financial assets</b>			
Investments (Note 6b)			
- Deposits with financial institutions	493,913,649	-	SPPI
Other receivables	44,895,560	-	SPPI
Cash and bank balances	43,807,836	-	SPPI
	582,617,045	-	
<b>Financial assets</b>			
Investments (Note 6b)			
- Deposits with financial institutions	488,199,944	-	SPPI
Other receivables	48,956,458	-	SPPI
Cash and bank balances	19,449,327	-	SPPI
	556,605,729	-	

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

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

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

All financial assets with SPPI cash flows of the Company as at 31 December 2022 and 31 December 2021 have low credit risk and is disclosed in Note 25 in the financial statements.

## Notes to the financial statements continued

### **29. Contingent liability**

On 13 September 2021, the Inland Revenue Board ("IRB") issued a notification to the Company of its tax audit findings for year of assessment ("YA") 2015 to 2018, where the tax audit was still ongoing as at 31 December 2021.

On 28 April 2022, the Company received a formal tax assessment ("Form JA") from the IRB of its audit findings for YA 2015 to 2018, amounting to RM26.6 million.

On 19 May 2022, the Company filed a Judicial Review ("JR") and submitted the affidavits to the High Court. The Company also obtained an interim stay order on the same day until the next hearing on 9 August 2022. The hearing was further extended until 21 March 2023 together with the interim stay order.

On 20 May 2022, the Company also filed a Notice of Appeal ("Form Q") to the Special Commission of Income Tax ("SCIT").

The Company has obtained legal advice from its tax solicitors. Based on the legal advice, the Company is of the view that it has strong grounds to defend its position. Notwithstanding the above, the Company has made an accrual of RM2.2 million in the financial statements as at 31 December 2022 based on an assessment of the likely tax liability payable in accordance with MFRS 137 Provision, Contingent Liabilities and Contingent Assets.

### **30. Approval of financial statements**

The financial statements were authorised for issue by the Board of Directors with a resolution of the Directors on 23 March 2023.



# Branch network

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