

**Allianz General Insurance Company  
(Malaysia) Berhad**

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

**Financial statements for the year ended  
31 December 2021**

(In Ringgit Malaysia "RM")

Domiciled in Malaysia  
Principal place of business  
Level 29, Menara Allianz Sentral,  
203, Jalan Tun Sambanthan,  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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## Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

### Directors' report for the financial year ended 31 December 2021

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

#### Principal activity

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

#### Results

	<b>RM'000</b>
Profit for the year	<u>331,998</u>

#### Dividends

Since the end of the previous financial year, the Company paid:

- (i) a single tier interim dividend of 65.9 sen per ordinary share totaling RM249,871,839.19 in respect of the financial year ended 31 December 2020 on 19 January 2021; and
- (ii) a single tier interim dividend of 63.2 sen per ordinary share totaling RM239,634,297.98 in respect of the financial year ended 31 December 2021 on 19 January 2022.

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 and provisions during the financial year under review except as disclosed in the financial statements.

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## **Insurance claim liabilities and insurance premium liabilities**

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

## **Bad and doubtful debts**

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

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

## **Current assets**

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

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

## **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities in the financial statements of the Company misleading or inappropriate.

## **Contingent and other liabilities**

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

- (i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

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## **Contingent and other liabilities (continued)**

- (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year, other than those disclosed in Note 38 of the financial statements.

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

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

## **Change of circumstances**

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

## **Items of an unusual nature**

In the opinion of the Directors, the results of operations of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

## **Issue of shares**

There were no changes in the issued share capital of the Company during the financial year.

## **Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

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## **Indemnity and Insurance for Directors and Officer**

The Company maintains a Directors' and Officers' Liability Insurance for the purpose of Section 289(5) of the Companies Act 2016 in Malaysia, throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company. The amount of insurance premium paid during the financial year amounted to RM20,657.

The Company in its ordinary course of business in underwriting of all classes of general insurance business, provided a Professional Indemnity Insurance to its auditor during the financial year.

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of non-audit engagement against claims by third parties arising from non-audit engagement. No payment has been made to indemnify the auditors during the financial year.

The Company, in its ordinary course of business in underwriting of all classes of general insurance business, provided a Professional Indemnity Insurance to its auditors during the financial year.

## **Directors of the Company**

The Directors of the Company who served during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman -Non-Independent Non-Executive Director)  
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (Independent Non-Executive Director)  
Dr. Muhammed Bin Abdul Khalid (Independent Non-Executive Director)  
Lim Tuang Ooi (Independent Non-Executive Director) (Appointed on 1 November 2021)  
Wang Wee Keong (Non-Independent Executive Director) (Appointed on 1 January 2022)  
Zakri Bin Mohd Khir (Non-Independent Executive Director) (Retired on 31 December 2021)

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## Directors' interests

The Directors of the Company do not hold any shares in the Company as the Company is a wholly-owned subsidiary of Allianz Malaysia Berhad ("AMB"). The interests and deemed interests in the shares of AMB and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Interests in AMB				
Zakri Bin Mohd Khir	100	-	-	100

	Number of Irredeemable Convertible Preference Shares ("ICPS")			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Interests in AMB				
Zakri Bin Mohd Khir	200	-	-	200

	Number of registered shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
Ultimate Holding Company – Allianz SE				
Zakri Bin Mohd Khir				
- Direct Interest <sup>(a)</sup>	1	-	-	1
- Indirect Interest <sup>(a)</sup>	1 <sup>(b)</sup>	-	-	1

### Note

<sup>(a)</sup> Free share granted under Allianz Free Share Program

<sup>(b)</sup> Deemed Interest by virtue of a share held by his daughter-in-law

Save as disclosed above, none of the other Directors holding office at 31 December 2021 had any interest in the shares of the Company and of its related corporations during the financial year.

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## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as disclosed in note 27.2 in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the objective 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.

## Corporate governance disclosure

### A. Board of Directors

The Board of Directors ("Board") has overall responsibility for reviewing and adopting strategic plans for the Company, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control system.

The detailed responsibilities of the Board are set out in the Board Charter, which is available at Allianz Malaysia's website, [allianz.com.my](http://allianz.com.my).

#### A1. Composition of the Board

The Board is made up of 3 Independent Non-Executive Directors, 1 Non-Independent Non-Executive Director and 1 Non-Independent Executive Director.

The Board comprises members from various fields with a balance of skills and experiences appropriate to the business of the Company.

All members of the Board complied with the minimum criteria of "A Fit and Proper Person" as prescribed under the Financial Services Act, 2013 ("FSA 2013").

The appointments and re-appointments of all Board members were approved by BNM.



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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A1. Composition of the Board (continued)

The profiles of the Board members are as follows:-

<b>Tan Sri Datuk (Dr.) Rafiah Binti Salim</b> Chairman – Non-Independent Non-Executive Director	
Working experience	<p>Tan Sri Datuk (Dr.) Rafiah started her career as a lecturer at the Faculty of Law, University of Malaya in 1974. In 1988, she ended her service with the University as the Dean of the Faculty. She then moved on to become the Head of the Legal Department of Malayan Banking Berhad (“Maybank”). In 1991, she was promoted to the post of General Manager of the Human Resource Department at Maybank. She was then invited to serve in BNM as the Assistant Governor for the Security Department, Legal Department and Property and Service Department.</p> <p>Tan Sri Datuk (Dr.) Rafiah’s international experience includes holding the position of Assistant Secretary General for Human Resource Management, United Nations, New York, from 1997 to 2002 and was the first Malaysian to be appointed to such a high ranking post in the United Nations system. From 2003 to 2006, she was the Executive Director of the International Centre for Leadership in Finance, now known as The ICLIF Leadership and Governance Centre. In 2006, she was appointed as the Vice-Chancellor/President of the University of Malaya.</p> <p>She was the Executive Director of NAM Institute for the Empowerment of Women from 2009 to 2013.</p> <p>Tan Sri Datuk (Dr.) Rafiah has been awarded the “Darjah Kebesaran Panglima Jasa Negara” and the “Panglima Setia Mahkota” from His Majesty The Yang di-Pertuan Agong.</p>
Shareholding in the Company	Nil

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A1. Composition of the Board (continued)

<b>Tunku Zain Al-'Abidin Ibni Tuanku Muhriz</b> Independent Non-Executive Director	
Working experience	<p>Tunku Zain is Founding President of the Institute for Democracy and Economic Affairs ("IDEAS"); a Trustee of Yayasan Chow Kit, Yayasan Munarah, Jeffrey Cheah Foundation and Genovasi Foundation; an Independent Non-Executive Director of AMB, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") and Omesti Berhad; an advisor or patron to numerous educational and cultural organisations; a committee member of several societies and associations, including the Squash Racquets Association of Malaysia; a columnist in three newspapers; and a Royal fellow of the National University of Malaysia.</p> <p>Tunku Zain was educated at the Kuala Lumpur Alice Smith School, Marlborough College and the London School of Economics and Political Science, where he obtained his MSc in Comparative Politics. He then worked in the UK Houses of Parliament before moving to Washington DC to join the World Bank as a Public Sector Consultant. Upon returning to Malaysia, Tunku Zain worked at the United Nations Development Programme and the KRA Group before becoming a Research Fellow at the Lee Kuan Yew School of Public Policy at the National University of Singapore.</p> <p>In 2006 he co-founded the Malaysia Think Tank which evolved into IDEAS in 2010. Since 2008 he has maintained a newspaper column: firstly Abiding Times in The Sun, then Roaming Beyond the Fence in the Star and Sin Chew, and now Conservatively Speaking Freely in the Malay Mail, Borneo Post and Oriental Daily. From these articles three books have been compiled, the latest being nominated for the Popular Readers' Choice Awards. Tunku Zain is also authored a coffee table book for the Installation of the Eleventh Yang di-Pertuan Besar of Negeri Sembilan and led a major project to revitalise the State Anthem.</p>

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A1. Composition of the Board (continued)

<b>Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (continued)</b> Independent Non-Executive Director	
Working experience	An Eisenhower Fellow, he has been selected for various leadership programmes by the governments of Australia, France and the European Union. Tunku Zain is often invited to speak on subjects ranging from nation building, public policy, history, culture, law, business ethics and youth development.
Shareholding in the Company	Nil

<b>Dr. Muhammed Bin Abdul Khalid</b> Independent Non-Executive Director	
Working experience	<p>Dr. Muhammed is formerly the Economic Adviser to the former Prime Minister, Yang Amat Berbahagia Tun Dr. Mahathir Bin Mohamad. He was also a Member of the Economic Action Council from 2019 to 2020.</p> <p>Dr. Muhammed has served as consultant for the World Bank, United Nations Development Program ("UNDP"), United Nations Children's Fund ("UNICEF") and United Nations Economic and Social Commission for Asia and the Pacific ("UNESCAP").</p> <p>He had also served as Director of Research at Khazanah Research Institute, Head of Economics at the Securities Commission Malaysia and a Senior Analyst at the Institute of Strategic and International Studies. He was also a Senior Technical Advisor at the UNDP Malaysia.</p> <p>Dr. Muhammed is currently a Research Fellow at the Institute of Malaysian and International Studies of the University Kebangsaan Malaysia, and also a Member of the Board of Trustees of the Malaysian Institute of Economic Research.</p>
Shareholding in the Company	Nil

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A1. Composition of the Board (continued)

<b>Lim Tuang Ooi</b> Independent Non-Executive Director	
Working experience	<p>Lim Tuang Ooi, is an accomplished professional and a Chartered Accountant, with wide experience of over 38 years in the fields of risk management, banking and accounting.</p> <p>He was the Senior Adviser/Director at Khazanah Nasional Berhad, the sovereign wealth fund of Malaysia from 2019 to 2021, to help to set up the investment risk, governance and compliance framework and structure. Before that, he spent close to 12 years at the Employees Provident Fund (“EPF”) from 2007 to 2019 as the Senior General Manager and Head of Risk Management division. Lim Tuang Ooi was effectively the Chief Risk Officer, responsible for the whole risk management and governance division. He has helped transformed the risk management practice of EPF and facilitated in embedding risk philosophy into the Strategic Asset Allocation Investment model, resulting in EPF being able to deliver consistent risk adjusted returns even up till today. EPF manages a total investment fund size of over RM900 billion and exceeding 14 million members.</p> <p>Prior to EPF, he served as the Chief Financial Officer of Hong Leong Bank Berhad for 3 years and Credit/Risk Director/Quality Director/Financial Controller at various stages of his career at Citigroup/Citibank Berhad where he spent a total of 16 years. He also spent 6 years (1982 to 1987) with KPMG Malaysia where he qualified as an accountant and worked in the areas of audit, taxation and consultancy.</p> <p>Lim Tuang Ooi was awarded the Ahli Mangku Negara (AMN) by the Yang Di Pertuan Agong in 2013. He was also awarded with the Most Advanced Implementer of Q-Radar (Corporate Risk Scorecard) in 2009 and an Excellence in Enterprise Risk Management in 2016.</p>
Shareholding in the Company	Nil

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A1. Composition of the Board (continued)

<b>Wang Wee Keong</b> Chief Executive Officer ("CEO") – Non Independent Executive Director	
Working experience	Wang Wee Keong ("Sean") has over 20 years of experience in the insurance industry. He started his professional career as an auditor in Price Waterhouse Coopers in 1997. In 1998, Sean joined American Malaysian Insurance as the Head of Healthcare and Personal Accident, responsible for underwriting, claims and policy management. In 2001, he joined ING Insurance Berhad and assumed responsibility for sales in Employee Benefits, managing direct clients and brokers. On 17 May 2004, Sean joined Allianz General Insurance Malaysia Berhad as Head of Personal Lines, being responsible for underwriting and introduction of retail products. He then moved on to become Head of Branch Operations in 2007, managing 31 branches nationwide. Sean was appointed as Chief Operations Officer of Allianz Life Insurance Malaysia Berhad in 2010. Sean was the Chief Operations Officer of both AGIC and AMB before he was appointed as the CEO of AGIC and AMB on 1 July 2021 and 1 January 2022 respectively.
Shareholding in the Company	Nil

During the financial year, Board members attended various training, amongst others, were as follows:-

- Unifying Insurance and Takaful - Value Based Protection
- Data Analytic Tools for Management for Fraud by KPMG Consulting (Malaysia) Sdn Bhd
- Malaysian Financial Reporting Standard ("MFRS") 17 Insurance Contract by KPMG PLT
- Malaysian Code on Corporate Governance (updated in 2021) by KPMG Management & Risk Consulting Sdn Bhd
- Cyber Security Awareness Program for Directors

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A2. Board Meetings

There were 6 Board Meetings held during the financial year ended 31 December 2021 and the attendance of the Directors was as follows:-

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	6	5
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	6	6
Dr. Muhammed Bin Abdul Khalid	6	6
Lim Tuang Ooi	1	1 out of 1 meeting held after his appointment as Director on 1 November 2021
Zakri Bin Mohd Khir	6	6

#### A3. Board Committees

The following Board Committees are centralised at its immediate holding company, AMB:-

- (a) Audit Committee;
- (b) Risk Management Committee; and
- (c) Nomination and Remuneration Committee.

The Board Committees are operating on the terms of reference approved by the Board of AMB and adopted by the Board of the Company, to assist the Board in the execution of its responsibilities.

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A3. Board Committees (continued)

##### A3.1 Audit Committee of AMB Board ("AC")

The composition of the AC during the financial year is as follows:-

Peter Ho Kok Wai (Chairman - Independent Non-Executive Director of Allianz Life Insurance Malaysia Berhad ("ALIM") and AMB)

Tan Sri Datuk (Dr.) Rafiah Binti Salim (Non-Independent Non-Executive Director of AGIC and AMB)

Goh Ching Yin (Independent Non-Executive Director of ALIM and AMB)

There were 5 AC Meetings held during the financial year ended 31 December 2021 and the attendance of the abovementioned AC members were as follows:-

Name of Members	No. of AC Meetings Held	No. of AC Meetings Attended
Peter Ho Kok Wai	5	5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	4
Goh Ching Yin	5	5

The AC is charged with the responsibilities of assisting the Board of AMB and its subsidiaries ("AMB Group" or "Group") in its oversight, amongst others, as follows:-

- support the Board in ensuring that there is a reliable and transparent financial reporting process;
- monitor and evaluate the performance and effectiveness of the external and internal audit functions;
- assess the internal control environment; and
- review and report to the Board of conflict of interest situations and related party transactions.

The detailed terms of reference of the AC is set out in the Board Charter, which is available at Allianz Malaysia's website, [allianz.com.my](http://allianz.com.my).

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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A3. Board Committees (continued)

##### A3.2 Risk Management Committee of AMB Board ("RMC")

The composition of the RMC during the financial year is as follows:-

Dr. Muhammed Bin Abdul Khalid (Chairman – Independent Non-Executive Director of AGIC)  
 Goh Ching Yin (Independent Non-Executive Director of ALIM and AMB)  
 Peter Ho Kok Wai (Independent Non-Executive Director of ALIM and AMB)

There were 4 RMC Meetings held during the financial year ended 31 December 2021 and the attendance of the abovementioned RMC members were as follows:-

Name of Members	No. of RMC Meetings Held	No. of RMC Meetings Attended
Dr. Muhammed Bin Abdul Khalid	4	4
Goh Ching Yin	4	4
Peter Ho Kok Wai	4	4

The RMC is responsible for effective risk identification, measurement, monitoring and control of the AMB Group, and oversees the Senior Management's activities in managing the key risk areas of the AMB Group and to ensure that the risk management process is in place and functioning effectively.

The detailed terms of reference of the RMC is set out in the Board Charter, which is available at Allianz Malaysia's website, [allianz.com.my](http://allianz.com.my).

##### A3.3 Nomination and Remuneration Committee of AMB Board ("NRC")

The composition of the NRC during the financial year is as follows:-

Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (Chairman - Independent Non- Executive Director of AGIC and AMB)  
 Tan Sri Datuk (Dr.) Rafiah Binti Salim (Non-Independent Non-Executive Director of AGIC and AMB)  
 Goh Ching Yin (Independent Non-Executive Director of ALIM and AMB)



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## Corporate governance disclosure (continued)

### A. Board of Directors (continued)

#### A3. Board Committees (continued)

##### A3.3 Nomination and Remuneration Committee of AMB Board (“NRC”)(continued)

There were 4 NRC Meetings held during the financial year ended 31 December 2021 and the attendance of the abovementioned NRC members were as follows:-

Name of Members	No. of NRC Meetings Held	No. of NRC Meetings Attended
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	4	4
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4	3
Goh Ching Yin	4	4

The primary objectives of the NRC are:-

- (a) to establish a documented formal and transparent procedure for the appointment and removals of Directors, CEOs and Key Responsible Persons (“KRP(s)”) of AMB Group;
- (b) to assess the effectiveness of individual Director, the respective Boards (including various committees of the Board), CEOs and KRPs of AMB Group on an on-going basis;
- (c) to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEOs and KRPs of AMB Group; and
- (d) to ensure that the compensation is competitive and consistent with the culture, objective and strategy of AMB Group.

The detailed terms of reference of the NRC is set out in the Board Charter, which is available at Allianz Malaysia’s website, [allianz.com.my](http://allianz.com.my).

## Corporate governance disclosure (continued)

### B. Internal Control Framework

#### B1. Risk Management Framework

The Board recognises the importance of having in place a risk management system to identify key risks and implement appropriate controls to manage such risks as an integral part of the Company's operations. The Company has in place a Risk Management Framework Manual ("RMFM"). The RMFM outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the risk identification, evaluation and monitoring process of the Company. It is designed to formalise the risk management functions and practices across the Company and to increase awareness of the Company's employees to risk identification, measurement, control, on-going monitoring and reporting.

The RMFM is in compliance with the relevant requirements of the guidelines and /or policies issued by BNM and Allianz SE Group.

The system of risk governance process is integrated into the core management processes and forms part of the daily business process so that a value-added contribution in terms of sustainable competitive advantage and improved business performance can be established. Various standards are implemented by the Company, including organisational structure, risk strategy, written policies, authority limits, system documentation and reporting, to ensure accurate and timely flow of risk-related information and a disciplined approach towards decision making and execution.

The Company also adopts the three lines of defence model where the "first line of defence" rests with the business managers. They are responsible in the first instance for both the risks and returns of their decisions.

The "second line of defence" is made up of the oversight functions comprising Compliance and Risk Management that are independent from business operations.

- The Compliance function assists the Board and Senior Management in managing and mitigating the compliance risks due to any non-compliance of the requirements of the law, regulations as well as regulatory and industry guidelines.
- Risk Management function assists the Board and Senior Management to achieve its strategic goals and objectives by implementing risk management activities and controls across the organisation.

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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

Both the Compliance and Risk Management functions report to the RMC which assists the Board to discharge its oversight function effectively. As part of its responsibilities, the Compliance and Risk Management functions advise the Board and Senior Management on compliance, risk and regulatory matters; and promote risk and compliance awareness amongst the Company's employees through trainings and workshops.

In addition to the above oversight functions, Legal and Actuarial functions constitute additional components of the "second line of defence". An appropriate control framework has been established to avoid any potential conflict of interest to fulfil their roles as the second line of defence.

- The Legal function seeks to mitigate legal risks arising from legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual terms.
- The Actuarial function contributes towards assessing and managing risks in line with regulatory requirements and reports to the Board and Senior Management. Its scope of work includes coordination and calculation of technical reserves, providing oversight on product pricing and profitability and contribution to the effective implementation of the risk management system.

The RMC drives the risk management framework of the Company and reports quarterly to the Board on its recommendations and/or decisions. The Risk Management Working Committee ("RMWC") is established at the Management level and serves as a platform for two-way communications between the Management and the RMC on matters relating to risk strategy and management. Through the quarterly reporting from RMWC, the RMC consolidates the status of the risks and presents them to the Board for consideration.

The Governance and Control Committee ("GovCC") supports the Management to fulfil its responsibilities with respect to regulatory governance, organisational and control requirements. The GovCC also provides a platform for structured and institutionalised interaction and collaboration on cross functional and control related topics to facilitate a consistent approach in terms of processes, methodologies, assessments, materiality and others. GovCC members consist of senior management from governance and operation functions. The GovCC reports to the Senior Management Committee on governance and internal control system related matters.

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## Corporate governance disclosure (continued)

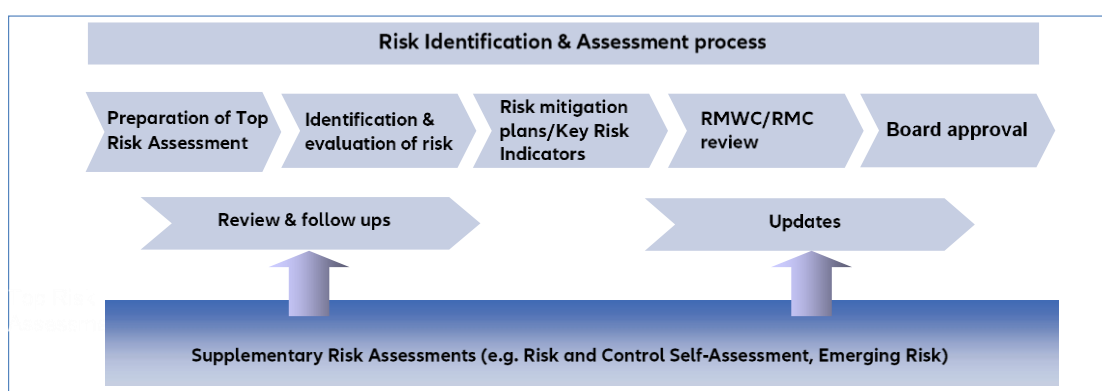
### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

##### Risk Management Process

Risk management is considered and managed as part of the daily process of managing and directing the business. These include the implementation of a limit system, various frameworks, manuals and policies.

Besides the embedded process, the following risk management cycle to identify, assess, mitigate, monitor and report will also be carried out by the Risk Management function together with the respective risk owners: -



##### (i) Top Risk Assessment ("TRA")

TRA approach is in place to periodically analyse all material quantifiable and non-quantifiable risks including market, credit, underwriting, business, operational, liquidity, reputational and strategic risks.

The Company identifies and remediates significant threats to financial results, operational viability or the delivery of key strategic objectives, regardless of whether they relate to quantifiable or non-quantifiable risks using the approved TRA Matrix. The identified top risks are assessed quarterly by the assigned risk owners; and the same is reviewed by the RMWC and the RMC and approved by the Board. Key risk indicators are also put in place to monitor changes in risk exposure or control effectiveness for the top risks on a quarterly basis. The key risks and their salient points on how the Company manages these risks are set out below:-

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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

##### Risk Management Process (continued)

##### (i) Top Risk Assessment ("TRA") (continued)

Key risks	Broad Definition	Risk Management Practices
Market	Unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. It also includes changes in market prices due to worsening of market liquidity.	<ul style="list-style-type: none"> <li>Investment activity is strictly governed by the pre-approved limits and appetite and monitored through a front end system. Any exception requires pre-approval.</li> <li>An asset and liability process has been put in place to manage the risks and returns expected from the insurance obligations.</li> <li>Selectively using derivative to either hedge the portfolio against adverse market movements or reduce reinvestment risk.</li> </ul>
Credit	Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments.	<ul style="list-style-type: none"> <li>Credit analyses are conducted prior to purchase and regular review on portfolio.</li> <li>Investment activity is strictly governed by the pre-approved limits to ensure the diversification of investment portfolio in order to minimise the impact of default by any single counterparty.</li> <li>Only uses pre-approved reinsurance partners with strong credit profiles</li> </ul>

Company No. 200601015674 (735426-V)
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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

##### Risk Management Process (continued)

##### (i) Top Risk Assessment ("TRA") (continued)

Key risks	Broad Definition	Risk Management Practices
Underwriting	Unexpected financial losses due to inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.	<ul style="list-style-type: none"> <li>• Managed through a comprehensive and strict standard for underwriting limit guidelines. Where necessary, the risk will be surveyed by the loss control engineers.</li> <li>• Regular monitoring of products, assumptions used against actual industry statistics and re-pricing will be considered if necessary.</li> <li>• Adequate reinsurance is purchased and reviewed annually to ensure adequate continuous cover within acceptable appetite and costs.</li> <li>• New products undergo a robust product development process.</li> </ul>
Business	Unexpected decrease in actual results as compared to business assumptions, which leads to a decline in income without a corresponding decrease in expenses; this includes lapse risk	<ul style="list-style-type: none"> <li>• Regular monitoring of actual experience.</li> <li>• New products undergo a robust product development review process.</li> </ul>

Company No. 200601015674 (735426-V)
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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

##### Risk Management Process (continued)

##### (i) Top Risk Assessment ("TRA") (continued)

Key risks	Broad Definition	Risk Management Practices
Legal and Regulatory	Losses arising from a breach of relevant laws and regulations.	<ul style="list-style-type: none"> <li>• Trainings will be provided and annual declarations required from all staff.</li> <li>• New guidelines will be published in the Group's staff e-portal and highlighted through e-mails.</li> <li>• Regular reviews are conducted to ensure compliance.</li> </ul>
Information Security	Information security breach losses triggered by both information technology ("IT") and non-IT leading to loss of data confidentiality, loss of data integrity, as well as business disruption and loss of availability of services resulting in legal costs, fines, forensic costs, remediation costs, compensation and/or reputation management costs.	<ul style="list-style-type: none"> <li>• Strict policy and disciplinary action for security breach</li> <li>• Staff awareness on IT Security and Privacy</li> <li>• Access Control</li> <li>• Regular review on User ID access</li> <li>• Use of virus protection software</li> <li>• Data Loss Prevention solution</li> <li>• Conduct of Annual Penetration Testing by independent party to detect possible external and internal vulnerabilities</li> <li>• IT security controls in place, such as Firewall, Malware Protection and Distributed Denial-of-Service protection</li> <li>• Privilege Identity Management</li> <li>• Database encryption</li> <li>• Privacy Impact Assessment</li> <li>• Data privacy contractual obligations for Service Providers.</li> </ul>

Company No. 200601015674 (735426-V)
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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

##### Risk Management Process (continued)

##### (ii) Operational Risk Management (“ORM”)

ORM is a continuous process which includes operational risk identification, measurement, quantification, management and monitoring to mitigate the operational loss resulting from inadequate or failed internal processes, people, system or from external events.

ORM is monitored through a combination of the following activities:-

- Integrated Risk and Control System.
- Analysis of actual loss events reported into the Loss Data Capture database.
- Periodic audits by the Internal Audit Department and reviews by Risk Management function.
- Other key risk indicators and feedback from subject matter experts (for example IT Security Officer, Data Privacy Officer, Business Continuity Management Officers, Anti-Fraud and Anti-Corruption Coordinators, as well as respective operation managers).

##### (iii) Reputational Risk Management

All activities within Company can influence its reputation, which is determined by the perceptions and beliefs of its stakeholders. Hence, thorough management of any potential reputational risks is required. Any risks that might have significant impact on the Company will be escalated to Allianz SE.

The Company has adopted Allianz SE Group’s Allianz Standard for Reputational Risk Management which establishes a core set of principles and processes for the management of reputational risks within the Company. The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the Company’s reputational risk strategy and Environmental, Social and Governance (“ESG”) approach. Indirect reputational risks are managed through the TRA as well as risk and control self-assessment processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

The Corporate Communications function of the Company actively manages the reputational risk by assessing any potential risk arising from media, social media or any transaction relating to pre-defined sensitive areas.



Company No. 200601015674 (735426-V)

## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B1. Risk Management Framework (continued)

##### Risk Management Process (continued)

##### (iv) Liquidity Risk Management

Liquidity risk is a consequential risk, i.e. another adverse event has to happen before the Company runs into liquidity issues. On this background, the Company has identified various events that might lead to liquidity shortages. To mitigate this, limits on the cash position have been put in place and closely monitored.

##### (v) Climate Risk Management

Climate risks and opportunities that are emerging today are expected to increase over the mid- and long-term. In acknowledgement of this, and to align with initiatives of BNM and Allianz SE, the Company has set-up a cross-functional Climate Change Working Group that discusses and executes climate-related initiatives as directed by the Local ESG Board. The Local ESG Board, comprising top management, reports to the Board and is tasked with driving ESG, including climate-related matters, as part of business considerations.

ESG-related matters are considered in operational, underwriting and investment decisions. Efforts are undertaken to promote ESG in the Company dealings with the business partners and stakeholders while physical risks such as floods are simulated and considered in both operations and underwriting annually.

In addition, as the Company is operating in insurance business, the following risk evaluation tools are also adopted as part of the Company's risk management framework: -

##### (a) Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP is an overall process by which the Company adopted to ensure it has adequate capital to meet its capital requirements which reflects its own risk profile on an on-going basis. The formal assessment is conducted at least on an annual basis and its results are reported to the Board.

The review of the ICAAP coincides with the annual planning process and any changes in the strategic directions and business plans of the Company will be updated in its Risk Strategy, and accordingly all risks identified will also be taken into account when computing the Individual Target Capital Level ("ITCL").

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B1. Risk Management Framework (continued)**

##### **Risk Management Process (continued)**

##### **(a) Internal Capital Adequacy Assessment Process (“ICAAP”) (continued)**

The ITCL is validated by stress testing to ensure that it will still be above the Supervisory Target Capital Level imposed by the regulator even after the occurrence of a severe plausible event demonstrating a focus on balance sheet strength and protection of shareholders’ value. A Capital Management Plan (“CMP”) was drawn up with the objective to optimise risk and return, while maintaining sufficient level of capital in accordance with the Company’s risk appetite and regulatory requirements. The CMP identified the action plans and sources of capital that are available for a pre-determined ITCL thresholds if they are triggered to bring the capital adequacy ratio above the internal soft threshold level.

##### **(b) Stress Testing**

Stress test is an effective risk management tool and the Company conducts such stress test regularly. The stress test process is designed based on the Company’s solvency position, lines of business, current position within the market, investment policy, business plan, and general economic conditions. The results of the stress test will then be incorporated into the Company’s capital management plan, in determining the extent of capital affected by the threats arising from adverse events and the actions required to mitigate such threats.

The Board and Management participated actively in providing feedback on the stress test results and appropriateness of the methodology and assumptions adopted to perform the stress test.

#### **B2. Internal Audit**

The Internal Audit function, which reports to the AC, undertakes independent reviews or assessments of the Company’s operations and its system of internal controls. It provides monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Company. The internal audit personnel form the “third line of defence”, are independent from the day-to-day activities of the Company and have unrestricted access to all activities conducted by the Company.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B2. Internal Audit (continued)**

Internal Audit Plan is developed based on annual risk assessment and approved by the AC. The audit scope covers auditable areas encompassing sales, product development, actuarial function, underwriting and claims operation, operation such as customer service, sourcing and procurement, general services, travel and expenses, internal and regulatory compliance audit such as business continuity management, replacement of policy, anti-corruption program and IT systems.

Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with the internal audit recommendations. All internal audit reports are submitted to the AC. The AC deliberates on key audit findings and management actions to address these findings during the AC meetings.

Follow-up audits are also performed to monitor continued compliance and the internal auditors will provide quarterly updates to the AC on the progress of the management action plans as well as progress of the internal audit plan.

#### **B3. Other Key Internal Control Process**

The other key processes that the Board has established to provide effective internal controls include:-

##### **Clear and Defined Organisational Structure**

The Company has established an organisational structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Company's activities. The Board Committees are centralised at its immediate holding company, AMB Board level. The Board Committees have the authority to examine matters under their terms of reference and report to the Board with their observations and/or recommendations. Although specific authority is delegated to the Board Committees, the ultimate responsibility for the decision on all matters, however, lies with the Board.

Various Management Committees are established by the Management to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor performance and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the Board.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B3. Other Key Internal Control Process (continued)**

##### **Management Authority Limit**

The Board's approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision making process in the Company. The operational authority limits incorporate segregation of duties and check and balance in delegation of authority.

The Management's authority limits include limits for underwriting of risks, claims settlement, reinsurance, and capital expenditures and are reviewed and updated to ensure relevance to the Company's operations. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

In ensuring that the decision making process is transparent and to the best interest of the Company, all Directors and staff including the CEO are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Company, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

##### **Policies and Procedures**

Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.

These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required. Policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.

##### **Annual Business Plan and Performance Review**

Annual business plans are submitted to the Board for approval. Financial condition and business performance reports are also submitted to the Board for review during the Board meetings. These reports cover all key operational areas and provide a sound basis for the Board to assess the financial performance of the Company and to identify potential problems or risks faced by the Company, thus enabling the Board to effectively monitor on an on-going basis, the affairs of the Company.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B3. Other Key Internal Control Process (continued)**

##### **Related Party Transactions**

The Company has established the necessary controls and procedures to ensure compliance with the relevant regulatory requirements in respect of related party transaction. Necessary disclosures are made to the Board of the Company and where required, prior approval of the Board of the Company and/or shareholders for the transactions will be obtained prior to execution.

A due diligence working group was formed to review the related party transactions and submit its recommendation in accordance to the level of authority as determined by the Board for consideration. The AC will review the related party transactions fall within its authority limit and submit its recommendation to the Board of the Company for consideration.

The AC also review the related party transaction review procedures on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including recurrent transactions in a timely and orderly manner.

##### **Underwriting and Reinsurance**

The Company employs high standards in its underwriting process. This includes among others, risk segmentation and selection, setting adequate pricing and terms and conditions, setting of right retention limit and adequate reinsurance protection.

Underwriting authority is controlled centrally at the Head Office level. Reinsurance is in place primarily to ensure that no single loss or aggregation of losses arising from a single event will have an adverse financial impact on the Company. Reinsurers selection is guided by the guidelines issued by the regulator and the Allianz SE Group. Reinsurance needs are reviewed annually in respect of reinsurance treaties and on case to case basis on facultative arrangements.

##### **Financial Control Procedures**

Financial control procedures are put in place and are documented in the procedural workflows of each business unit. These workflows are subject to reviews and improvements to reflect changing risks and process enhancement as and when required.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B3. Other Key Internal Control Process (continued)**

##### **Investment**

The Investment Committee of the Company is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Investment Department is responsible for managing the investment functions of the Company within the pre-determined parameters.

The Company has in place the Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure that the Company's interests prevail over the personal interests of the employees.

The investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment limits are monitored monthly to ensure compliance with the investment limits as specified in the Risk Based Capital Framework for Insurers issued by BNM.

The investment performance reports are amongst the reports submitted to the Investment Committee and the Board of the Company for review at its quarterly meetings.

##### **Code of Conduct for Business Ethics and Compliance ("COC")**

Every employee is required to attest on an annual basis that they understand and comply with the Allianz SE Group's COC. The COC among others, is essential in promoting ethical conduct within the Company and reflects our values and principles and provides guidance to employees in their actions and decisions. Each employee has a responsibility to live by the principles contained in the Code, i.e. to

- (i) Treat each other fairly and respectfully
- (ii) Act with integrity
- (iii) Be transparent and tell the truth
- (iv) Take ownership and responsibility

Company No. 200601015674 (735426-V)
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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B3. Other Key Internal Control Process (continued)

##### **Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”) and Targeted Financial Sanctions (“TFS”)**

The Company has in place internal policies and procedures relating to AML/CFT and TFS to prevent and detect money laundering and terrorism financing activities, these include customer due diligence, screening against sanctions list and suspicious transaction reporting to the Compliance Department. In respect of education, staff and agents are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers’ identities and reporting of suspicious transactions.

##### **Product Development**

The Company has in place a Product Development Management Policy (“PDM Policy”) which sets out the policies and procedures on product development in accordance with the requirements of the Guideline on Introduction of New Products by Insurers and Takaful Operators (BNM/RH/STD 029-10) issued by BNM.

The PDM Policy aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The PDM Policy will also assist to ensure that the products developed and marketed by the Company are appropriate to the needs, resources and financial capability of the targeted consumer segments.

The on-going product risk management is embedded within the risk management framework of the Company.

##### **Whistleblowing and Anti-Fraud**

The oversight of whistleblowing and fraud matters of the Company is performed by the Company’s Integrity Committee (“InC”). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.

The Company has in place the AMB Group’s Anti-Fraud Policy (“AFP”) and AMB Group’s Whistleblowing Policies and Procedures (“WBPP”) to address fraud and whistleblowing issues respectively. The AFP defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The WBPP on the other hand, describes the Company’s Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B3. Other Key Internal Control Process (continued)**

##### **Whistleblowing and Anti-Fraud (continued)**

In respect of whistleblowing, the Company has established a whistleblowing mechanism to enable anonymous and non-anonymous reporting of any breach of the COC, any laws, regulations, orders or any internal rules. These whistleblowing cases are assessed confidentially by the InC to determine the validity and appropriate actions to be taken.

The effectiveness of the whistleblowing policies and procedures are reviewed periodically at least once in 3 years.

##### **Anti-Corruption**

The Company has adopted a localised Anti-Corruption Policy ("Policy") that outlines the guiding principles of Allianz SE, Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") and Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The Policy serves to outline the Company's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, charitable contributions, joint ventures and outsourcing agreements as well as facilitation payments.

Corruption risk are being assessed annually and the effectiveness of the policies and procedures are reviewed periodically at least once in 3 years.

The Vendor Integrity Screening process which is a part of the Allianz SE Group's Anti-Corruption Programme aims at ensuring an integrity based due diligence before any third party vendor is engaged. The screening contains a self-assessment section which among others includes questions on anti-corruption to be answered by the potential vendor and a risk evaluation to be completed by the relevant staff/department in charge. Only those vendors whose screening does not reveal any negative findings will be engaged.



Company No. 200601015674 (735426-V)
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## Corporate governance disclosure (continued)

### B. Internal Control Framework (continued)

#### B3. Other Key Internal Control Process (continued)

##### Employees

All staff are required to make an annual declaration that they fulfilled the minimum criteria of "A Fit and Proper Person" as prescribed in Section 59(1), (2) and (3) of the FSA 2013. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-

- (i) Related Party Transaction Declaration;
- (ii) Disclosure of Data;
- (iii) Conflict of Interest;
- (iv) COC for Business Ethics and Compliance;
- (v) IT Security Policy and Guideline e-Awareness Declaration;
- (vi) Anti-Corruption Policy;
- (vii) Anti-Fraud Awareness Declaration; and
- (viii) Guidelines on the Code of Conduct for the General Insurance Industry.

##### Sales Policy and Sales Agent Code of Conduct

The Company's insurance intermediaries are guided by the Allianz SE Sales Standard and Allianz SE Singapore Branch ("AZAP") Sales Agent Code of Conduct in order to promote professional sales conduct of intermediaries representing the Company. The Company has established an Ethics and Compliance Committee to deal with intermediary behaviour that are contrary to the Sales Standard and Sales Agent Code of Conduct.

In addition, agents of the Company are also required to comply with the Code of Ethics and Conduct imposed by General Insurance Association of Malaysia ("PIAM").

All internal control deficiencies or breaches related to the Sales Policy and Sales Agent Code of Conduct are reported to the Senior Management Committee together with corrective measures.

##### Agent Sales Disciplinary Policy

As part of the measures to improve uniformity in disciplining the agency force, the Company has formalised a Sales Disciplinary Policy detailing definition of types of offences/misconduct and the associated recommended disciplinary actions.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B3. Other Key Internal Control Process (continued)**

##### **Business Continuity Management**

Business Continuity Plan for the Company has been formulated to ascertain that the Company will recover and restore any interrupted critical functions within a predetermined time upon the occurrence of any disastrous events.

The testing for Business Continuity Plan is conducted at least once a year whilst the Disaster Recovery Plan test for all main application systems is conducted at least twice a year.

##### **Crisis Management**

Crisis Management Plans have been developed to outline the processes and procedures that guides crisis handling and manage any incident with crisis potential. The plan helps to mitigate the impact of a crisis and prevent an incident with crisis potential from escalating into a crisis.

##### **Information System**

All employees are required to strictly abide to and comply with the Company Information Technology and Information Security Policy and Standard ("IT and IS Policy") which establishes core principles, responsibilities, tasks and organisational framework for IT and Information Security, in order to facilitate the fulfilment of internal and regulatory requirements.

Following the issuance of the Risk Management in Technology Policy Document ("RMiT Policy") by BNM, the Company is committed to remedy the gaps to meet the expectations and requirements prescribed under the RMiT Policy. Accordingly, two new frameworks were implemented, namely the Technology Risk Management Framework and Cyber Resilience Framework.

The IT & Digital Steering Committee ("ITDSC") is responsible for the overall strategic deployment of IT and digital assets in tandem with the business objectives, which including matters related to Internet Insurance, IT Outsourcing and Cloud Utilisation. Other duties and responsibilities of ITDSC include, establishing effective IT and digital plans, formulation and implementation of technology risks management program, recommending to the RMC and Board (whichever applicable) for approval on IT-related expenditure, material deviation from technology-related policies and matters related to Internet Insurance, as well as monitoring the progress of approved IT and digital programs/projects.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **B. Internal Control Framework (continued)**

#### **B3. Other Key Internal Control Process (continued)**

##### **Data Management Framework**

The Company Data Management Framework (“DMF”) has been in place to establish and maintain a sound data and information management system framework. The objective of the DMF is to manage data and disseminate information effectively, efficiently and to maximise the value of data assets. In addition, the DMF aims to ensure the integrity of data assets by preventing unauthorised or inappropriate use of data and information.

##### **Data Privacy**

The Allianz Privacy Standard (“APS”), contains the global minimum requirements applicable within the Allianz SE Group for the processing and transfer of personal data within the Allianz SE Group. The APS takes into account the requirements of the European Union privacy law, the General Data Protection Regulation to facilitate cross-border transfers of personal data originating from or processed in the European Economic Area within the Allianz SE Group. Under the APS, there are functional rules specifying data privacy and protection requirements, which include conducting Privacy Impact Assessment to record processing activities that involve handling of personal data and to comply with the Personal Data Breach Incident Workflow. Compliance with the APS adopted by the Company ensures compliance with the Malaysian Personal Data Protection Act, 2010 and is in line with the Code of Practice on Personal Data Protection for Insurance and Takaful in Malaysia.

##### **Human Resources Policies and Procedures**

The Company has established proper policies and procedures on human resource management, including recruitment, learning and development, talent development, performance management and employee benefits. These policies and procedures are reviewed as and when the need arises and changes effected are communicated to relevant employees via-email. The policies and procedures are also made available via the Group’s staff e-portal for easy access by the employees.

## Corporate governance disclosure (continued)

### C. Remuneration

The remuneration policy and practices of the Company ("Policy") are established, implemented and maintained in line with the Company's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance. This Policy forms a key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk taking behaviour and reinforce the Company's corporate and risk culture.

The remuneration components of employees are fixed and variable compensation. Base salary is the fixed remuneration component and rewards the role and responsibilities taking account of market conditions and providing for a stable source of income. The fixed component is dependent on position responsibility as well as the experience and qualification of incumbent.

Variable compensation components aim to reward performance and shall not provide incentives for risks which might be incompatible with the risk profile of the Company, including risk limits. Therefore, variable compensation components may not be paid, or payment may be restricted in the case of a breach of risk limits or a compliance breach.

The volume and relative weighting of the variable component shall depend on the level of seniority and the position. Variable components typically consist of annual bonus (short term incentive) and mid-/long-term incentives.

Variable compensation is determined by a combination of assessment of the individual's performance and his business unit as well as overall performance of the Company.

The Company measures performance in an annual process which includes the key steps of agreed priorities, regular feedback, and a mid-year and year-end performance assessment. Personal priorities or targets are agreed for each evaluated employee and reflects financial and non-financial ambitions. The assessment of individual performance is holistic in nature and considers relativity against peers.

Company No. 200601015674 (735426-V)
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## **Corporate governance disclosure (continued)**

### **C. Remuneration (continued)**

The remuneration of KRPs of the Company is not only determined by performance against business objectives but include other factors such as prudent risk-taking and actions affecting the long-term interests of the Company. Remuneration of KRPs is adjusted each year to account for all types of risk and breaches, determined by both quantitative measures and qualitative judgement.

Employees in control functions are measured on the achievement of control function objectives which determine their remuneration. Similar to all employees, actual payout is subject to overall size of bonus pool.

A portion of the variable compensation for CEO and KRPs contain a deferred component. The deferral period shall be aligned with the nature of the business, its risks, and the activities of the incumbent in question, and adopt a multi-year framework to reflect the time horizon of risks.

### **Ultimate holding company**

The Directors regard Allianz SE, a public listed company incorporated and domiciled in Germany as the Company's ultimate holding company.

### **Immediate holding company**

The immediate holding company is AMB, a public limited company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Company No. 200601015674 (735426-V)

## **Auditors**

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

The auditors' remuneration is disclosed in note 27 to the financial statements.

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

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**Tan Sri Datuk (Dr.) Rafiah Binti Salim**  
**Director**

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**Wang Wee Keong**  
**Director**

Kuala Lumpur,

Date: 21 February 2022

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

## Statement of financial position as at 31 December 2021

	Note	2021 RM'000	2020 RM'000
<b>Assets</b>			
Property, plant and equipment	3	81,050	77,560
Right-of-use assets	4	24,234	35,603
Intangible assets	6	85,682	94,780
Deferred tax assets	15	34,404	-
Investments	7		
Malaysian government securities		1,999,293	1,731,564
Malaysian government guaranteed bonds		662,938	719,862
Unquoted debt securities		1,433,491	1,285,836
Unquoted equity securities		*	*
Unquoted unit trust in Malaysia		1,118,437	1,284,907
Fixed deposits		231,269	178,318
Reinsurance assets	8	1,006,403	827,433
Insurance receivables	9	125,839	142,070
Loans and other receivables	10	80,086	84,305
Deferred acquisition costs	11	123,662	116,171
Current tax assets		9,856	12,937
Cash and cash equivalents		349,892	325,251
<b>Total assets</b>		<b>7,366,536</b>	<b>6,916,597</b>

\* Denotes RM4

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of financial position as at 31 December 2021 (continued)

	Note	2021 RM'000	2020 RM'000
<b>Equity and liabilities</b>			
Share capital	12	379,168	379,168
Retained earnings	13	1,814,776	1,722,412
Other reserves	13	39,240	145,269
<b>Total equity</b>		<b>2,233,184</b>	<b>2,246,849</b>
<hr/>			
Insurance contract liabilities	14	4,389,087	3,900,796
Lease liabilities	16	17,082	30,012
Insurance payables	17	267,398	236,595
Other payables and accruals	18	459,785	477,268
Deferred tax liabilities	15	-	25,077
<b>Total liabilities</b>		<b>5,133,352</b>	<b>4,669,748</b>
<hr/>			
<b>Total equity and liabilities</b>		<b>7,366,536</b>	<b>6,916,597</b>

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



# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of profit or loss for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
<b>Operating revenue</b>	19	<u>2,588,442</u>	<u>2,472,705</u>
Gross earned premiums	20	2,412,106	2,284,122
Premiums ceded to reinsurers	20	<u>(287,964)</u>	<u>(256,965)</u>
<b>Net earned premiums</b>		<u>2,124,142</u>	<u>2,027,157</u>
Investment income	21	176,336	188,583
Realised gains and losses	22	(102)	1,958
Fair value gains and losses	23	(5,504)	-
Fee and commission income	24	40,271	29,984
Other operating income		<u>2,404</u>	<u>3,766</u>
<b>Other income</b>		<u>213,405</u>	<u>224,291</u>
Gross claims paid		(977,291)	(996,117)
Claims ceded to reinsurers		66,166	64,821
Gross change in claims liabilities		(469,834)	(170,311)
Change in claims liabilities ceded to reinsurers		<u>179,081</u>	<u>(22,951)</u>
<b>Net claims incurred</b>	25	<u>(1,201,878)</u>	<u>(1,124,558)</u>
Fee and commission expense	26	(304,750)	(294,977)
Management expenses	27	(397,436)	(399,347)
Interest expenses	28	(612)	(1,219)
Other operating expenses		<u>(3,386)</u>	<u>(2,794)</u>
<b>Other expenses</b>		<u>(706,184)</u>	<u>(698,337)</u>
<b>Profit before tax</b>		429,485	428,553
Tax expense	29.1	<u>(97,487)</u>	<u>(106,445)</u>
<b>Profit for the year</b>		<u>331,998</u>	<u>322,108</u>

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of profit or loss for the year ended 31 December 2021 (continued)

	Note	2021 RM'000	2020 RM'000
<b>Profit attributable to:</b>			
Owner of the Company		<u>331,998</u>	<u>322,108</u>
<b>Basic earnings per ordinary share (sen)</b>	30	<u>87.6</u>	<u>85.0</u>

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

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
<b>Profit for the year</b>		331,998	322,108
<b>Other comprehensive income</b>			
<b>Item that may be reclassified subsequently to profit or loss</b>			
Fair value of available-for-sale financial assets			
Net unrealised (losses)/ gains arising during the financial year		(145,680)	77,584
Realised losses/ (gains) transferred to Statement of profit or loss		103	(1,884)
	7.2	(145,577)	75,700
Tax effects thereon	29.3	34,938	(18,168)
Fair value (losses)/ gains, net of tax		(110,639)	57,532
<b>Item that may not be reclassified subsequently to profit or loss</b>			
Revaluation reserve		5,889	-
Tax effects thereon		(1,279)	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal		-	732
		4,610	732
<b>Total other comprehensive income for the year, net of tax</b>		(106,029)	58,264
<b>Total comprehensive income for the year</b>		225,969	380,372
Total comprehensive income attributable to:			
<b>Owner of the Company</b>		225,969	380,372

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

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 31 December 2021

	← Non-distributable →				Distributable	
	Share capital	Capital reserve	Available-for-sale fair value reserve	Asset revaluation reserve	Retained earnings	Total equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2020</b>	379,168	4,523	71,411	15,542	1,645,705	2,116,349
Fair value of available-for-sale financial assets	-	-	57,532	-	-	57,532
Disposal of land and buildings	-	-	-	(3,739)	3,739	-
Reversal of deferred tax on revaluation surplus	-	-	-	-	732	732
<b>Total other comprehensive income for the year</b>	-	-	57,532	(3,739)	4,471	58,264
Profit for the year	-	-	-	-	322,108	322,108
<b>Total comprehensive income for the year</b>	-	-	57,532	(3,739)	326,579	380,372
<i>Contributions by and distributions to owner of the Company</i>						
- Dividends payable to the owner of the Company	31	-	-	-	(249,872)	(249,872)
Total transactions with owner of the Company		-	-	-	(249,872)	(249,872)
<b>At 31 December 2020</b>	379,168	4,523	128,943	11,803	1,722,412	2,246,849

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 31 December 2021 (continued)

	Note	Non-distributable			Distributable		Total equity RM'000
		Share capital RM'000	Capital reserve RM'000	Available-for-sale fair value reserve RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	
<b>At 1 January 2021</b>		379,168	4,523	128,943	11,803	1,722,412	2,246,849
Fair value of available-for-sale financial assets		-	-	(110,639)	-	-	(110,639)
Revaluation for Property, plant and equipment and Right-of-use assets		-	-	-	4,610	-	4,610
<b>Total other comprehensive income for the year</b>		-	-	(110,639)	4,610	-	(106,029)
Profit for the year		-	-	-	-	331,998	331,998
<b>Total comprehensive income for the year</b>		-	-	(110,639)	4,610	331,998	225,969
<i>Contributions by and distributions to owner of the Company</i>							
- Dividends payable to the owner of the Company	31	-	-	-	-	(239,634)	(239,634)
<b>Total transaction with owner of the Company</b>		-	-	-	-	(239,634)	(239,634)
<b>At 31 December 2021</b>		379,168	4,523	18,304	16,413	1,814,776	2,233,184
		Note 12	Note 13.1	Note 13.2	Note 13.3	Note 13.4	

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

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of cash flows for the year ended 31 December 2021

	2021 RM'000	2020 RM'000
<b>Operating activities</b>		
<b>Profit before tax</b>	429,485	428,553
Investment income	(176,336)	(188,583)
Realised gains recorded in profit or loss	102	(1,958)
Rental income of property, plant and equipment	(262)	(268)
Purchases of available-for-sale investments	(1,295,794)	(1,342,138)
Placement of fixed deposits	(295,642)	(194,676)
Proceeds from disposal of available-for-sale investments	211,760	146,927
Maturity of available-for-sale investments	735,000	328,333
Maturity of fixed deposits	241,940	219,748
<b>Non-cash items:</b>		
Depreciation of property, plant and equipment	9,308	8,562
Depreciation of right-of-use assets	14,397	13,823
Property, plant and equipment written off	124	62
Amortisation of intangible assets	16,596	16,658
Allowance / (Reversal) for impairment loss on insurance receivables	60	(2,260)
Reversal of impairment loss on reinsurance assets	(3)	(8)
Reversal of impairment loss on other receivables	-	(668)
Bad debts recovered	(23)	(119)
Bad debts written off on insurance receivables	227	1,344
Bad debts written off on other receivables	-	1,125
Impairment on AFS financial assets	5,504	-
Interest expense	561	863
Interest on lease liabilities	612	1,219
<b>Changes in working capital:</b>		
Change in reinsurance assets	(178,968)	30,048
Change in insurance receivables	15,969	1,866
Change in loans and other receivables	4,524	12,363
Change in deferred acquisition costs	(7,490)	(4,748)
Change in insurance contract liabilities	488,292	242,241
Change in insurance payables	30,803	30,277
Change in other payables and accruals	(7,808)	37,710
<b>Cash generated from / (used in) operating activities</b>	<b>242,938</b>	<b>(213,704)</b>

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of cash flows for the year ended 31 December 2021 (continued)

	2021 RM'000	2020 RM'000
<b>Cash generated from / (used in) operating activities</b>	242,938	(213,704)
Interest income received	158,678	155,394
Dividend income from unquoted unit trust	23,942	34,432
Rental income received	262	268
Bad debt recovered	23	119
Interest paid on lease liabilities	(612)	(1,219)
Income tax paid	(120,229)	(112,965)
<b>Net cash flows generated from / (used in) operating activities</b>	<u>305,002</u>	<u>(137,675)</u>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	1	889
Proceeds from disposal of right-of-use assets	-	1,812
Purchase of property, plant and equipment	(8,606)	(6,696)
Purchase of right-of-use assets	-	(136)
Purchase of intangible assets	(7,499)	(9,528)
<b>Net cash flows used in investing activities</b>	<u>(16,104)</u>	<u>(13,659)</u>
<b>Financing activities</b>		
Dividends paid to owners of the Company	(249,872)	(199,822)
Repayment of lease liabilities	(14,385)	(13,783)
<b>Net cash flows used in financing activities</b>	<u>(264,257)</u>	<u>(213,605)</u>
Net increase / (decrease) in cash and cash equivalents	24,641	(364,939)
Cash and cash equivalents at beginning of year	325,251	690,190
Cash and cash equivalents at end of year	<u>349,892</u>	<u>325,251</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	342,719	317,157
Cash and bank balances	7,173	8,094
	<u>349,892</u>	<u>325,251</u>

# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Statement of cash flows for the year ended 31 December 2021 (continued)

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of cash flows for payments of claims incurred for insurance contracts, which are respectively treated under operating activities.

Included in the fixed and call deposits are RM74,582,000 (2020: RM69,118,000) held as cash collateral for guarantees issued on behalf of the policyholders (see Note 17).

### Reconciliation of liabilities arising from financing activities

	Note	Lease Liabilities RM'000
At 1 January 2021		30,012
Cash flows		(14,997)
Interest charge		612
Lease additions		1,455
At 31 December 2021	16	17,082

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



# Allianz General Insurance Company (Malaysia) Berhad

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

## Notes to the financial statements

### Principal activities and general information

Allianz General Insurance Company (Malaysia) Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company is as follows:

Level 29, Menara Allianz Sentral,  
203, Jalan Tun Sambanthan,  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur

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

The immediate holding company is Allianz Malaysia Berhad (“AMB”), a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The ultimate holding company is Allianz SE, a public company incorporated and domiciled in Germany.

The financial statements were authorised for issue by the Board of Directors on 21 February 2022.

## 1. Basis of preparation

### 1.1 Statement of compliance

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

The following are accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) for the financial year beginning on or after 1 January 2021 and adopted by the Company:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- Amendments to MFRS 16, *COVID-19 Related Rent Concessions*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2*

The adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2021 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

The following are accounting standards, amendments to standards and interpretations that have been issued by MASB but not yet effective and have not been early adopted by the Company:

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

- Amendment 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 Improvement to MFRSs 2018 – 2022 Cycle effective for annual periods beginning on or after 1 January 2022

## 1. Basis of preparation (continued)

### 1.1 Statement of compliance (continued)

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS101, Classification of liabilities and current or non-current
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on "Disclosure of Accounting Policies" and "Definition of Accounting Estimates"
- Amendments to MFRS 112, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

#### **MFRS 17, *Insurance Contracts***

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts*.

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

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

Alternative measurement models are provided for the different insurance coverages:

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

## **1. Basis of preparation (continued)**

### **1.1 Statement of compliance (continued)**

#### ***MFRS 17, Insurance Contracts (continued)***

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

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

Except as mentioned above, the initial application of the other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 January 2021 are not expected to have any material financial impact to the current period and prior period financial statements of the Company.

### **1.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

### **1.3 Functional and presentation currency**

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

### **1.4 Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

## 1. Basis of preparation (continued)

### 1.4 Use of estimates and judgements (continued)

- Note 2.8 – Determination of the recoverable amounts of other intangible assets
- Note 2.14 – Valuation of insurance contract liabilities
- Note 29 – The Company have estimated deferred tax in respect of the changes in tax rate that were enacted during the financial year. The amount of deferred tax that can be recognised based on the likely level of future taxable profits forms part of the key judgement areas. Refer to Note 29.4 for details.

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 2.23.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

### 2.1 Foreign currency transactions

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in RM, which is the Company’s functional and presentation currency.

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising from settlement of foreign currency transactions and from retranslation of monetary assets and liabilities are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

## **2. Significant accounting policies (continued)**

### **2.2 Property, plant and equipment**

#### **(a) Recognition and measurement**

Items of property, plant and equipment except for work-in-progress are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. Work-in-progress is stated at cost less accumulated impairment losses.

The Company revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The revalued amounts of property are determined by using the comparison method. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustments for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics. Valuation of properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are credited to revaluation reserve account via the statement of other comprehensive income. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

## **2. Significant accounting policies (continued)**

### **2.2 Property, plant and equipment (continued)**

#### **(a) Recognition and measurement (continued)**

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "realised gains and losses" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

#### **(b) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### **(c) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Work-in-progress are not depreciated until the assets are ready for their intended use.

## 2. Significant accounting policies (continued)

### 2.2 Property, plant and equipment (continued)

#### (c) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	Over lease period
Buildings	50 years
Office equipment, computers, furniture and fittings	2 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

### 2.3 Investment properties

#### (a) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.



## **2. Significant accounting policies (continued)**

### **2.3 Investment properties (continued)**

#### **(b) Reclassification to/from investment properties**

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

#### **(c) Determination of fair value**

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

## 2. Significant accounting policies (continued)

### 2.4 Intangible assets

#### (a) Development costs

Expenditure incurred on software development is capitalised, only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (b) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (c) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### (d) Amortisation

Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is based on the cost of an intangible asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life for the current and comparative periods is as follows:

Capitalised software development costs	5 years
Other intangible assets	6 - 18 years

Amortisation methods, useful life and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

## 2. Significant accounting policies (continued)

### 2.5 Leases

#### Accounting by lessee

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).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

#### ROU assets

ROU assets are initially measured at cost comprising the following:

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

ROU assets that are not investment properties are subsequently measured at valuation/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. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

## 2. Significant accounting policies (continued)

### 2.5 Leases (continued)

#### Accounting by lessee (continued)

#### ROU assets (continued)

While the Company revalues land and building (presented as part of property, plant and equipment) that it owns, it has chosen not to revalue the ROU building held by the Company.

The Company applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment properties owned by the Company. Refer to Note 2.3 for accounting policy on investment properties.

The Company presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

#### 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 fixed payments (including in-substance fixed payments), less any lease incentive receivable.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

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.

## **2. Significant accounting policies (continued)**

### **2.5 Leases (continued)**

#### **Accounting by lessee (continued)**

#### **Lease liabilities (continued)**

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 interest expenses in profit or loss in the statement of profit or loss.

#### **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 photocopiers. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

### **2.6 Financial instruments**

#### **(a) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

## 2. Significant accounting policies (continued)

### 2.6 Financial instruments (continued)

#### (b) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

##### Financial assets

#### (i) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market that include staff loans, other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

#### (ii) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

#### (iii) 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.

## 2. Significant accounting policies (continued)

### 2.6 Financial instruments (continued)

#### (b) Financial instrument categories and subsequent measurement (continued)

##### Financial assets (continued)

##### (iii) Insurance receivables (continued)

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.7(b).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.6(d), have been met.

All financial assets of the Company are subject to review for impairment (See Note 2.7).

##### Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities 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.

## 2. Significant accounting policies (continued)

### 2.6 Financial instruments (continued)

#### (c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



## 2. Significant accounting policies (continued)

### 2.7 Impairment of financial assets

#### (a) Financial assets, excluding insurance receivables

All financial assets (except for fixed and call deposits) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7(b) below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the financial asset's acquisition cost (net of any principal repayment and amortisation) and the financial asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

## 2. Significant accounting policies (continued)

### 2.7 Impairment of financial assets (continued)

#### (b) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

## 2. Significant accounting policies (continued)

### 2.8 Impairment of other assets

The carrying amounts of other assets (except for deferred tax assets and investment properties that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that largely independent of the cash inflows of other assets or groups of assets (known as "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## **2. Significant accounting policies (continued)**

### **2.9 Equity instruments**

Instrument classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### **(a) Ordinary share capital**

Ordinary share capital is classified as equity.

#### **(b) Dividends on ordinary share capital**

Dividends on ordinary share capital are recognised as a liability and deducted from equity when they are declared and appropriately authorised.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

### **2.10 Product classification**

The Company issues contracts that transfer insurance risk.

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

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

## 2. Significant accounting policies (continued)

### 2.11 Reinsurance

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. Premiums ceded and claims recoveries are recognised in the same accounting period as the original policy/contract in which the reinsurance relates, and presented on a gross basis for both ceded and assumed reinsurance in the statement of profit or loss and statement of financial position.

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

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

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

## **2. Significant accounting policies (continued)**

### **2.12 Commission and agency expenses**

Gross commission and agency expenses, which are cost directly incurred in securing premium on insurance policies, and income derived from reinsurance in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred or deferred where appropriate as set out in Note 2.13(e).

### **2.13 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.

#### **(a) Gross premiums**

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

#### **(b) Reinsurance premiums**

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

Inwards 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 premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

## 2. Significant accounting policies (continued)

### 2.13 General insurance underwriting results (continued)

#### (c) Unearned premium reserves

Unearned premium reserves (“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 period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24<sup>th</sup> method or time apportioned over the period of the risks for all other classes of Malaysian general policies
- 1/8<sup>th</sup> method or time apportioned over the period of the risks for all other classes of overseas inward treaty business
- Non-annual policies are time-apportioned over the period of the risks

#### (d) Claims and expenses

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

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the end of the reporting period.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the end of the reporting period, using a mathematical method of estimation.

#### (e) Acquisition costs and deferred acquisition cost (“DAC”)

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Such costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/ allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

## 2. Significant accounting policies (continued)

### 2.13 General insurance underwriting results (continued)

#### (e) Acquisition costs and deferred acquisition cost ("DAC") (continued)

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

### 2.14 Insurance contract liabilities

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

These liabilities comprise claims liabilities and premium liabilities.

#### Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the Company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date (See Note 2.23). These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") at a 75% confidence level as required by BNM calculated at the overall Company level. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.



## **2. Significant accounting policies (continued)**

### **2.14 Insurance contract liabilities (continued)**

#### **Premium liabilities**

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD at a 75% confidence level as required by BNM calculated at the overall Company level.

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

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred for administering these policies and settling the relevant claims, and expected future premium refunds.

### **2.15 Other revenue recognition**

The following specific recognition criteria must also be met before revenue is recognised.

#### **(a) Rental income**

Rental income from investment properties and self-occupied properties are recognised in profit or loss on a straight-line basis over the term of the lease.

#### **(b) Interest income**

Interest income is recognised as it accrues, using the effective interest method in profit or loss.

#### **(c) Dividend income**

Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

## **2. Significant accounting policies (continued)**

### **2.15 Other revenue recognition (continued)**

#### **(d) 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 differences between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

### **2.16 Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.3, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

## **2. Significant accounting policies (continued)**

### **2.16 Income tax (continued)**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

### **2.17 Provisions and contingent liabilities**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

### **2.18 Employee benefits**

#### **Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

## **2. Significant accounting policies (continued)**

### **2.18 Employee benefits**

#### **Short-term employee benefits (continued)**

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

### **2.19 Other financial liabilities and insurance payables**

Other financial liabilities and insurance 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.

### **2.20 Cash and cash equivalents and placements with financial institutions**

Cash and cash equivalents consist of cash on hand, balances and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.6(b)(i).

### **2.21 Earnings per ordinary share**

The Company presents basic earnings per share ("EPS") data for its ordinary shares.

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

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

## **2. Significant accounting policies (continued)**

### **2.22 Fair value measurement**

Fair value of an asset or a liability, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### **2.23 Significant accounting judgements, estimates and assumptions**

#### **(a) Valuation of general insurance claims liabilities**

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported at the end of the reporting period.

## **2. Significant accounting policies (continued)**

### **2.23 Significant accounting judgements, estimates and assumptions**

#### **(a) Valuation of general insurance claims liabilities (continued)**

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim.

These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available. IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the Company has not yet been notified. The valuation of IBNR reserves is carried out by an Appointed Actuary approved by BNM using professional judgement in applying actuarial methodology and assumptions, based on the Company's current and past claims experience, taking into account the Company's underwriting practice and industry experience. IBNR reserves are estimated based on actuarial statistical projections of the expected cost of the ultimate settlement and administration of claims. The projections are based on available information at the time and include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

## **2. Significant accounting policies (continued)**

### **2.23 Significant accounting judgements, estimates and assumptions (continued)**

#### **(b) Determination of recoverable amount of other intangible asset**

The Company assesses the recoverable amount of other intangible assets when there is indication of impairment in accordance with its accounting policy in Note 2.8. The recoverable amount of the other intangible asset is determined based on the value in use method, which requires the use of estimates for cash flow projections which have reflect the weighted average of all possible outcomes. The key assumptions used in the assessment are disclosed in Note 6.

### **2.24 Investment in subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Company has determined that the investment in structured securities, such as unit trust investments that the Company has an interest in are structured entities.

When the Company ceased to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Company's financial statements, investments in structured entities are initially recognised at fair value and subsequently measured at fair value in accordance with MFRS 139 "Financial Instruments: Recognition and Measurement". On disposal of investment in structured entities, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

The Company is exempted from presenting consolidated financial statements based on the criteria set out in paragraph 4 of MFRS 10 "Consolidated Financial Statements".

The immediate holding company, Allianz Malaysia Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

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### 3. Property, plant and equipment

	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
<b>Cost/Valuation</b>									
At 1 January 2020		6,900	35,808	1,659	80,442	982	17,754	1,140	144,685
Additions		-	-	-	3,772	30	742	2,152	6,696
Disposals		-	(880)	-	(20)	-	(9)	(50)	(959)
Reclassification		-	-	-	393	-	733	(1,126)	-
Transfer from investment properties	5	-	16,315	-	-	-	-	-	16,315
Written off		-	-	-	(249)	-	(400)	-	(649)
At 31 December 2020 / At 1 January 2021		6,900	51,243	1,659	84,338	1,012	18,820	2,116	166,088
Additions		-	-	-	5,105	341	216	2,944	8,606
Disposals		-	-	-	(27)	-	-	-	(27)
Reclassification		-	-	-	1,681	-	135	(1,816)	-
Written off		-	-	-	(320)	-	(617)	-	(937)
Revaluation		560	(2,448)	(100)	-	-	-	-	(1,988)
At 31 December 2021		7,460	48,795	1,559	90,777	1,353	18,554	3,244	171,742



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### 3. Property, plant and equipment (continued)

	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
<b>Depreciation</b>									
At 1 January 2020		-	4,017	142	65,608	771	10,159	-	80,697
Depreciation for the year	27	-	1,400	20	5,432	141	1,569	-	8,562
Disposals		-	(126)	-	(18)	-	-	-	(144)
Written off		-	-	-	(188)	-	(399)	-	(587)
At 31 December 2020 / At 1 January 2021		-	5,291	162	70,834	912	11,329	-	88,528
Depreciation for the year	27	-	1,641	21	5,990	124	1,532	-	9,308
Disposals		-	-	-	(27)	-	-	-	(27)
Written off		-	-	-	(295)	-	(518)	-	(813)
Revaluation		-	(6,188)	(116)	-	-	-	-	(6,304)
At 31 December 2021		-	744	67	76,502	1,036	12,343	-	90,692

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### 3. Property, plant and equipment (continued)

				Office equipment, computers, furniture and fittings	Motor vehicles	Office renovations and partitions	Work-in- progress	Total
Note	Land RM'000	Buildings RM'000	Land and buildings*	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Carrying amounts</b>								
At 1 January 2020	6,900	31,791	1,517	14,834	211	7,595	1,140	63,988
At 31 December 2020/ 1 January 2021	6,900	45,952	1,497	13,504	100	7,491	2,116	77,560
At 31 December 2021	7,460	48,051	1,492	14,275	317	6,211	3,244	81,050

\* The carrying amounts of land and buildings are not segregated as the required information is not available.

Included in property, plant and equipment are fully depreciated assets which are still in use costing RM60,900,000 (2020 : RM81,128,000).

### 3. Property, plant and equipment (continued)

#### 3.1 Revaluation of properties

The Company's land and buildings were revalued by Hartamas Valuation & Consultancy Sdn Bhd, independent professional qualified valuers using the Comparison Method in August 2021. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the land and buildings are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the land and buildings of the Company been carried under the cost model, their carrying amounts would have been as follows:

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Land	3,401	3,401
Buildings	40,515	41,422
Land and buildings	1,221	1,237
	<u>45,137</u>	<u>46,060</u>

#### 3.2 Fair value information

Fair value of land and buildings of the Company are categorised as follows:

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Land	-	-	7,460	7,460
Buildings	-	-	48,051	48,051
Land and buildings	-	-	1,492	1,492
	<u>-</u>	<u>-</u>	<u>57,003</u>	<u>57,003</u>

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Land	-	-	6,900	6,900
Buildings	-	-	45,952	45,952
Land and buildings	-	-	1,497	1,497
	<u>-</u>	<u>-</u>	<u>54,349</u>	<u>54,349</u>

**3. Property, plant and equipment (continued)****3.2 Fair value information (continued)****Level 3 fair value**

The Level 3 unobservable input used in the valuation of land and building is the price per square foot ("psf") which is adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique used	2021 Fair Value (RM'000)	2021 Adjusted psf RM/psf	2020 Fair Value (RM'000)	2020 Adjusted psf RM/psf
Sales comparison approach	57,003	265 – 2,811	54,349	283 – 2,643

**4. Right-of-use assets**

Valuation/Cost	Leasehold land RM'000	Buildings and equipment RM'000	Total RM'000
At 1 January 2020	8,923	55,530	64,453
Modifications/ Renewals	-	1,170	1,170
Disposal	(1,770)	(26)	(1,796)
At 31 December 2020 / At 1 January 2021	7,153	56,674	63,827
Modifications/ Renewals	-	1,455	1,455
Revaluation	937	-	937
At 31 December 2021	8,090	58,129	66,219

**4. Right-of-use assets (continued)**

	Leasehold land	Buildings and equipment	Total
<b>Depreciation</b>			
At 1 January 2020	537	13,965	14,502
Depreciation for the year	125	13,698	13,823
Disposal	(101)	-	(101)
At 31 December 2020 / At 1 January 2021	561	27,663	28,224
Depreciation for the year	213	14,184	14,397
Revaluation	(636)	-	(636)
At 31 December 2021	138	41,847	41,985
<b>Carrying amounts</b>			
At 31 December 2020/1 January 2021	6,592	29,011	35,603
At 31 December 2021	7,952	16,282	24,234

The Company leases a number of buildings for its office space and branches. The leases typically run for a period of 1 to 5 years, but may have extension options.

In 2021, the total cash outflow for leases amounts to RM14,997,000 (2020: RM15,002,000) and income from subleasing right-of-use assets amounts to RM2,669,000 (2020:RM2,555,000).

**4.1 Right-of-use assets under the revaluation model**

The leasehold land was last revalued in August 2021 by Hartamas Valuation & Consultancy Sdn Bhd, external independent professional qualified valuers using the Comparison Method. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the leasehold is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the leasehold land been carried at historical cost less accumulated amortisation, the carrying amounts would have been RM3,097,000 (2020: RM3,151,000).

**4.2 Fair value information**

Fair value of leasehold land is categorised as level 3 of the fair value hierarchy.

**4. Right-of-use assets (continued)****4.2 Fair value information (continued)****Level 3 fair value**

The Level 3 unobservable input used in the valuation of leasehold land is the price per square foot ("psf") which is adjusted for differences in location, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building erected thereon and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Valuation technique used	2021 Fair Value (RM'000)	2021 Adjusted psf RM/psf	2020 Fair Value (RM'000)	2020 Adjusted psf RM/psf
Sales comparison approach	7,952	222 – 1,532	6,592	278 – 1,334

**5. Investment properties**

	Note	2021 RM'000	2020 RM'000
At 1 January		-	16,315
Change in fair value recognised in profit or loss		-	-
Transfer to property, plant and equipment	3	-	(16,315)
At 31 December		-	-

## 6. Intangible assets

	Note	Software development costs RM'000	Other intangible asset RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2020		55,982	94,500	150,482
Additions		9,528	-	9,528
Disposal	3	-	-	-
At 31 December 2020/ 1 January 2021		65,510	94,500	160,010
Additions		7,498	-	7,498
Disposal		-	-	-
At 31 December 2021		73,008	94,500	167,508
<b>Amortisation</b>				
At 1 January		36,687	11,885	48,572
Amortisation for the year	27	8,924	7,734	16,658
At 31 December 2020/ 1 January 2021		45,611	19,619	65,230
Amortisation for the year	27	9,814	6,782	16,596
At 31 December 2021		55,425	26,401	81,826
<b>Carrying amounts</b>				
At 1 January 2020		19,295	82,615	101,910
At 31 December 2020/ 1 January 2021		19,899	74,881	94,780
At 31 December 2021		17,583	68,099	85,682

The software development costs are in relation to internal development expenditures incurred such as Alternate Front End System, Open Product Underwriting System and Business Intelligence System. These systems are designed to improve the efficiency of the business activities of the Company.

Other intangible assets are in relation to the exclusive Bancassurance Agreement which is effective from 1 July 2017 and Marketing Agreement which is effective from 1 October 2019 for the distribution of the Company's insurance products.

For the Bancassurance Agreement, the fee for the exclusive right is amortised over its useful life of 15 years using the straight-line method, whereas for the Marketing Agreement, the fee for the exclusive right is amortised over its useful life of 6 years using the straight-line method.

## 6. Intangible assets (continued)

The Company conducts impairment assessment during the year in accordance with its accounting policies in Note 2.8. In the impairment assessment conducted by the Company, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the remaining tenure of the agreement of 15 years, using the discounted cash flow model.

The following key assumptions used in cash flow projections in respect of Bancassurance Agreement have taken into account COVID-19 impact:

<b>Key assumptions</b>	<b>2021</b>	<b>2020</b>
Bancassurance average annualised gross written premium growth rate	-0.6%	5.4%
Discount rate - pre tax	10.9%	10.2%

### **Sensitivity to changes in key assumptions**

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.



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## 7. Investments

	Note	2021 RM'000	2020 RM'000
Malaysian government securities		1,999,293	1,731,564
Malaysian government guaranteed bonds		662,938	719,862
Unquoted debt securities		1,433,491	1,285,836
Unquoted equity securities		*	*
Unquoted unit trust in Malaysia	7.3	1,118,437	1,284,907
Fixed deposits		231,269	178,318
		<u>5,445,428</u>	<u>5,200,487</u>

\* Denotes RM4

### 7.1 The Company's financial investments are summarised by categories as follows:

	2021 RM'000	2020 RM'000
Loans and receivables ("L&R")	231,269	178,318
Available-for-sale financial assets ("AFS")	5,214,159	5,022,169
	<u>5,445,428</u>	<u>5,200,487</u>

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## 7. Investments (continued)

### 7.1 The Company's financial investments are summarised by categories as follows: (continued)

	2021		2020	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Loans and receivables</b>				
Fixed deposits	231,269	231,269	178,318	178,318
<b>Available-for-sale financial assets</b>				
Malaysian government securities	1,999,293	1,999,293	1,731,564	1,731,564
Malaysian government guaranteed bonds	662,938	662,938	719,862	719,862
Unquoted unit trust in Malaysia	1,118,437	1,118,437	1,284,907	1,284,907
Unquoted debt securities	1,433,491	1,433,491	1,285,836	1,285,836
Unquoted equity securities	*	-	*	-
	<u>5,214,159</u>	<u>5,214,159</u>	<u>5,022,169</u>	<u>5,022,169</u>
	<u>5,445,428</u>	<u>5,445,428</u>	<u>5,200,487</u>	<u>5,200,487</u>

\* Denotes RM4

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## 7. Investments (continued)

### 7.2 The movements in carrying values of the financial investments are as follows:

	L&R RM'000	AFS RM'000	Total RM'000
<b>At 1 January 2020</b>	203,011	4,079,851	4,282,862
Purchases	194,676	1,342,138	1,536,814
Maturities	(219,748)	(328,333)	(548,081)
Disposals	-	(145,043)	(145,043)
Fair value gain recorded in other comprehensive income	-	75,700	75,700
Accretion	-	1,698	1,698
Amortisation	-	(2,941)	(2,941)
Movement in income due and accrued	379	(901)	(522)
<b>At 31 December 2020/1 January 2021</b>	178,318	5,022,169	5,200,487
Purchases	295,642	1,295,794	1,591,436
Maturities	(241,940)	(735,000)	(976,940)
Disposals	-	(211,863)	(211,863)
Impairment	-	(5,504)	(5,504)
Fair value loss recorded in other comprehensive income	-	(145,577)	(145,577)
Accretion	-	1,024	1,024
Amortisation	-	(7,308)	(7,308)
Movement in income due and accrued	(751)	424	(327)
<b>At 31 December 2021</b>	231,269	5,214,159	5,445,428

### 7.3 Interest in structured entities

The Company has determined that its investment in unquoted unit trust as disclosed in Note 7 to the financial statements as investment in unconsolidated structured entities ("investee funds"). The funds aim to provide investors with steady income over the medium-term to long-term investment horizon. The investee funds are managed by AmFunds Management Berhad and Affin Hwang Asset Management Berhad. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The investee funds are classified as available for sale and the change in fair value of the investee fund is included in the statement of financial position of the Company.

The Company's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income is received during the reporting period from these interests in unconsolidated structured entities.

The Company's exposure to investments in the investee fund is disclosed below:

<b>Available-for-sale financial assets</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted unit trust in Malaysia		
Affin Hwang Income Fund 5*	566,726	574,896
AmIncome Advantage	551,711	710,011
	<u>1,118,437</u>	<u>1,284,907</u>

\* The Company holds 96% of the Affin Hwang Income Fund 5, a wholesale unit trust fund established in Malaysia, and thus has control over the investee fund. The remaining investment of 4% is by virtue of the shareholding through the Company's related entity, Allianz Life Insurance Malaysia Berhad. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Although the Company has control over this wholesale fund, the Company has not consolidated the wholesale fund by applying the exemption under MFRS 127, *Consolidated and Separate Financial Statements* as well as paragraphs 4 and MY4.1 of MFRS 10, *Consolidated Financial Statements*, as the Company's immediate holding company, Allianz Malaysia Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia.

**8. Reinsurance assets**

	Note	2021 RM'000	2020 RM'000
<b>Non-current</b>			
<b>Reinsurance of insurance contracts</b>			
Claims liabilities		308,402	257,251
<b>Current</b>			
<b>Reinsurance of insurance contracts</b>			
Claims liabilities		608,073	480,146
Allowance for impairment	36.1.3	(2,575)	(2,578)
		605,498	477,568
Premium liabilities	14.2	92,503	92,614
		698,001	570,182
		<u>1,006,403</u>	<u>827,433</u>

**9. Insurance receivables**

	Note	2021 RM'000	2020 RM'000
<b>Current</b>			
Due premiums including agent, brokers and co-insurers balances		111,693	134,238
Due from reinsurers and cedants		55,736	55,561
		167,429	189,799
Allowance for impairment	36.1.3	(53,475)	(53,415)
		113,954	136,384
Due from related companies	9.1	11,885	5,686
		<u>125,839</u>	<u>142,070</u>

The carrying amounts disclosed above reasonably approximate their fair values at the end of the reporting year due to the relatively short term nature of these financial instruments.

**9.1 Amounts due from related companies**

The amounts due from related companies are unsecured, interest free and repayable on demand.

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## 9. Insurance receivables (continued)

### 9.2 Financial assets

There is no netting off of gross amount of recognised financial assets against the gross amount of financial liabilities in the statement of financial position. There are no financial liabilities that are subject to enforceable master netting arrangements or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2020: Nil).

## 10. Loans and other receivables

	Note	2021 RM'000	2020 RM'000
<b>Non-current</b>			
<b>Staff loans</b>			
Mortgage loans		5,332	5,652
Other secured loans		998	871
		<u>6,330</u>	<u>6,523</u>
<b>Other receivables</b>			
Other receivables, deposits and prepayments		4,207	5,212
		<u>4,207</u>	<u>5,212</u>
		<u>10,537</u>	<u>11,735</u>
<b>Current</b>			
<b>Staff loans</b>			
Mortgage loans		680	681
Other secured loans		313	287
		<u>993</u>	<u>968</u>
<b>Other receivables</b>			
Deposits		3,519	3,496
Malaysian Motor Insurance Pool ("MMIP")		45,867	47,244
Other receivables and prepayments		17,772	20,847
Allowance for impairment	36.1.3	(742)	(742)
		<u>66,416</u>	<u>70,845</u>
Due from related companies	10.1	2,140	757
		<u>68,556</u>	<u>71,602</u>
		<u>69,549</u>	<u>72,570</u>
Total loans and other receivables		<u>80,086</u>	<u>84,305</u>

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## 10. Loans and other receivables (continued)

The carrying amounts of other receivables reasonably approximate their fair values at the end of the reporting year due to the relatively short term nature of these financial instruments.

### 10.1 Amounts due from related companies

The amounts due from related companies are unsecured, interest free and repayable on demand.

## 11. Deferred acquisition costs

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2020		120,758	(9,335)	111,423
Movement during the year	24,26	3,536	1,212	4,748
At 31 December 2020/ 1 January 2021		124,294	(8,123)	116,171
Movement during the year	24,26	5,969	1,522	7,491
At 31 December 2021		130,263	(6,601)	123,662

## 12. Share capital

	2021		2020	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
<b>Ordinary shares issued and fully paid</b>				
At 1 January/31 December	379,168	379,168	379,168	379,168

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### **13. Retained earnings and other reserves**

#### **13.1 Capital reserve**

The capital reserve comprises the equity portion of financial instruments issued.

#### **13.2 Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

#### **13.3 Revaluation reserve**

The revaluation reserve represents the surplus on revaluation of owner occupied properties.

#### **13.4 Retained earnings**

##### **Restriction on payment of dividends**

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 dividends would impair its Capital Adequacy Ratio position to below its internal target.

Pursuant to the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend with effect from the financial year beginning 1 January 2014.



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#### 14. Insurance contract liabilities

General insurance contract liabilities consist of:

	Note	Gross RM'000	2021 Reinsurance RM'000 (Note 8)	Net RM'000	Gross RM'000	2020 Reinsurance RM'000 (Note 8)	Net RM'000
Provision for claims reported by policyholders		2,078,094	(454,938)	1,623,156	1,992,729	(526,197)	1,466,532
Provision for incurred but not reported claims ("IBNR")		1,116,295	(461,537)	654,758	731,826	(211,200)	520,626
		3,194,389	(916,475)	2,277,914	2,724,555	(737,397)	1,987,158
Allowance for impairment		-	2,575	2,575	-	2,578	2,578
Provision for outstanding claims	14.1	3,194,389	(913,900)	2,280,489	2,724,555	(734,819)	1,989,736
Provision for unearned premiums	14.2	1,194,698	(92,503)	1,102,195	1,176,241	(92,614)	1,083,627
		4,389,087	(1,006,403)	3,382,684	3,900,796	(827,433)	3,073,363

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#### 14. Insurance contract liabilities (continued)

##### 14.1 Provision for outstanding claims - movements

	Note	Gross RM'000	2021 Reinsurance RM'000 (Note 8)	Net RM'000	Gross RM'000 (Note 8)	2020 Reinsurance RM'000	Net RM'000
At 1 January	25	2,724,555	(734,819)	1,989,736	2,554,244	(757,770)	1,796,474
Claims incurred in the current accident year		1,781,865	(383,073)	1,398,792	1,429,162	(155,329)	1,273,833
Other movements in claims incurred in prior accident years		(334,740)	137,826	(196,914)	(262,734)	113,459	(149,275)
Claims paid during the year	25	(977,291)	66,166	(911,125)	(996,117)	64,821	(931,296)
At 31 December	25	<u>3,194,389</u>	<u>(913,900)</u>	<u>2,280,489</u>	<u>2,724,555</u>	<u>(734,819)</u>	<u>1,989,736</u>

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#### 14. Insurance contract liabilities (continued)

##### 14.2 Provision for unearned premiums - movements

	Note	Gross RM'000	2021 Reinsurance RM'000 (Note 8)	Net RM'000	Gross RM'000	2020 Reinsurance RM'000 (Note 8)	Net RM'000
At 1 January		1,176,241	(92,614)	1,083,627	1,104,311	(99,703)	1,004,608
Premiums written in the year	20	2,430,563	(287,853)	2,142,710	2,356,052	(249,876)	2,106,176
Premiums earned during the year	20	(2,412,106)	287,964	(2,124,142)	(2,284,122)	256,965	(2,027,157)
At 31 December		<u>1,194,698</u>	<u>(92,503)</u>	<u>1,102,195</u>	<u>1,176,241</u>	<u>(92,614)</u>	<u>1,083,627</u>

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## 15. Deferred tax assets/(liabilities)

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

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment						
- Capital allowance	-	-	(1,841)	(1,329)	(1,841)	(1,329)
- Revaluation reserve	-	-	(4,040)	(2,761)	(4,040)	(2,761)
Intangible assets	-	-	(3,058)	(18,631)	(3,058)	(18,631)
Allowance for impairment on insurance receivables	12,035	12,013	-	-	12,035	12,013
Other payables and accruals	33,989	24,572	-	-	33,989	24,572
Investments						
- Fair value reserve	-	-	(5,781)	(40,719)	(5,781)	(40,719)
- Impairment	3,100	1,778	-	-	3,100	1,778
Offset of tax	(14,720)	(38,363)	14,720	38,363	-	-
Net deferred tax assets	<u>34,404</u>	<u>-</u>	<u>-</u>	<u>(25,077)</u>	<u>34,404</u>	<u>(25,077)</u>

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15. Deferred tax assets/(liabilities) (continued)

15.2 Movement in temporary differences during the year

	At 1 January 2020 RM'000	Recognised in profit or loss (Note 29.1) RM'000	Recognised in other comprehen- sive income (Note 29.3) RM'000	At 31 December 2020/At 1 January 2021 RM'000	Recognised in profit or loss (Note 29.1) RM'000	Recognised in other comprehen- sive income (Note 29.3) RM'000	At 31 December 2021 RM'000
Property, plant and equipment							
- Capital allowance	(906)	(423)	-	(1,329)	(512)	-	(1,841)
- Revaluation reserve	(3,493)	-	732	(2,761)	-	(1,279)	(4,040)
Intangible assets	(19,877)	1,246	-	(18,631)	15,573	-	(3,058)
Allowance for impairment on insurance receivables	12,551	(538)	-	12,013	22	-	12,035
Other payables and accruals	18,690	5,882	-	24,572	9,417	-	33,989
Investments							
- Fair value reserve	(22,551)	-	(18,168)	(40,719)	-	34,938	(5,781)
- Impairment	1,778	-	-	1,778	1,322	-	3,100
Other items	-	-	-	-	-	-	-
	<u>(13,808)</u>	<u>6,167</u>	<u>(17,436)</u>	<u>(25,077)</u>	<u>25,822</u>	<u>33,659</u>	<u>34,404</u>

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**16. Lease liabilities**

	2021 RM'000	2020 RM'000
Non-current	4,094	16,324
Current	12,988	13,688
	<u>17,082</u>	<u>30,012</u>

**17. Insurance payables**

	Note	2021 RM'000	2020 RM'000
<b>Non-current</b>			
Performance bond deposits	17.1	<u>18,399</u>	<u>15,992</u>
<b>Current</b>			
Due to reinsurers and cedants		104,114	66,062
Due to agents and intermediaries		45,738	48,088
Performance bond deposits	17.1	56,183	53,126
Due to related companies	17.2	42,964	53,327
		<u>248,999</u>	<u>220,603</u>
		<u>267,398</u>	<u>236,595</u>

The carrying amounts disclosed above reasonably approximate their fair values at the end of the reporting year due to relatively short term nature of these financial instruments.

**17.1 Performance bond deposits**

Performance bond deposits are interest bearing collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

**17.2 Amounts due to related companies**

The amounts due to related companies are unsecured, interest free and repayable on demand.

**17.3 Financial liabilities**

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statement of financial position. There are no financial liabilities that are subject to enforceable master netting arrangements or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received. (2020: Nil)

**18. Other payables and accruals**

	Note	2021 RM'000	2020 RM'000
<b>Current</b>			
Due to ultimate holding company	18.1	1,224	7,217
Due to immediate holding company	18.1	2,225	2,225
Other payables		68,333	86,824
Accrued expenses		148,369	131,130
Dividend payable	31	239,634	249,872
		<u>459,785</u>	<u>477,268</u>

The carrying amounts disclosed above reasonably approximate their fair values at the end of the reporting year due to the relatively short term nature of these financial instruments.

**18.1 Amounts due to ultimate/immediate holding company**

The amounts due to ultimate/immediate holding company are unsecured, interest free and repayable on demand.

**19. Operating revenue**

	Note	2021 RM'000	2020 RM'000
Gross earned premiums	20	2,412,106	2,284,122
Investment income	21	176,336	188,583
		<u>2,588,442</u>	<u>2,472,705</u>

**20. Net earned premiums**

	Note	2021 RM'000	2020 RM'000
Gross premiums	14.2	2,430,563	2,356,052
Change in unearned premiums provision		(18,457)	(71,930)
Gross earned premiums	14.2, 19	2,412,106	2,284,122
Gross premiums ceded	14.2	(287,853)	(249,876)
Change in unearned premiums provision		(111)	(7,089)
Premiums ceded to reinsurers	14.2	(287,964)	(256,965)
Net earned premiums	14.2	2,124,142	2,027,157

**21. Investment income**

	Note	2021 RM'000	2020 RM'000
<b>Available-for-sale financial investments:</b>			
Interest income from			
Malaysian government securities		63,648	57,201
Malaysian government guaranteed bonds		27,383	28,787
Unquoted debt securities		53,852	55,336
Negotiable instruments of deposit with licensed financial institutions		-	564
Gross dividend from unquoted unit trust in Malaysia		23,942	34,432
<b>Loans and receivables financial investments:</b>			
Interest income from			
Fixed deposits		4,162	7,097
Loans and other receivables and cash and cash equivalents		3,349	5,166
	19	176,336	188,583



**22. Realised gains and losses**

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property, plant and equipment</b>		
Realised gain	1	74
	-----	-----
<b>Available-for-sale financial investments</b>		
Realised gains:		
Malaysian government securities	(13)	1,667
Unquoted unit trust	(558)	-
Corporate bonds	468	217
	-----	-----
	(103)	1,884
	-----	-----
Net realised gains for available-for-sale financial investments	(103)	1,884
	-----	-----
	(102)	1,958
	-----	-----

**23. Fair value gains and losses**

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Note</b>	
Impairment on AFS financial assets	7.2	
		-
		-----
		(5,504)
		-----
		-
		-----

**24. Fee and commission income**

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Note</b>	
Reinsurance commission income		38,749
Deferred acquisition costs	11	28,772
		1,522
		1,212
		-----
		40,271
		-----
		29,984
		-----

**25. Net claims incurred**

	Note	2021 RM'000	2020 RM'000
Gross claims paid less salvage	14.1	977,291	996,117
Claims ceded to reinsurers	14.1	(66,166)	(64,821)
Net claims paid	14.1	<u>911,125</u>	<u>931,296</u>
Gross change in claims liabilities:			
At 31 December	14.1	3,194,389	2,724,555
At 1 January	14.1	(2,724,555)	(2,554,244)
		<u>469,834</u>	<u>170,311</u>
Change in claims liabilities ceded to reinsurers:			
At 31 December	14.1	(913,900)	(734,819)
At 1 January	14.1	734,819	757,770
		<u>(179,081)</u>	<u>22,951</u>
		<u>1,201,878</u>	<u>1,124,558</u>

**26. Fee and commission expense**

	Note	2021 RM'000	2020 RM'000
Gross direct commission		310,719	298,513
Deferred acquisition costs	11	(5,969)	(3,536)
		<u>304,750</u>	<u>294,977</u>

**27. Management expenses**

	Note	2021 RM'000	2020 RM'000
Employee benefit expenses	27.1	192,872	184,604
Executive directors' emoluments	27.2	2,901	3,164
Non-executive directors' emoluments	27.2	577	874
Auditors' remuneration:			
- Audit fees		400	363
- Non-audit fees		62	53
Depreciation of property, plant and equipment	3	9,308	8,562
Depreciation of right-of-use	4	14,397	13,823
Amortisation of intangible assets	6	16,596	16,658
Allowance / (Reversal) for impairment loss on insurance receivables		60	(2,260)
Reversal of impairment loss on other receivables		-	(668)
Bad debts recovered		(23)	(119)
Bad debts written off on insurance receivables		227	1,344
Bad debts written off on other receivables		-	1,125
Advertising expenses		10,433	8,704
Rental of premises		851	901
Other expenses		148,775	162,219
		397,436	399,347

**27.1 Employee benefit expenses**

	Note	2021 RM'000	2020 RM'000
Wages and salaries		108,600	104,948
Bonus		60,897	56,540
Social security contributions		1,130	1,128
Contribution to Employees' Provident Fund		21,279	20,460
Other benefits		966	1,528
	27	192,872	184,604

**27. Management expenses (continued)****27.2 Key management personnel compensation**

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Executive director/ Chief Executive Officer:		
Salaries	623	1,188
Bonus	988	682
Other emoluments	1,290	1,294
Estimated monetary value of benefits-in-kind	51	96
	<u>2,952</u>	<u>3,260</u>
Chief Executive Officer:		
Salaries	540	-
Bonus	90	-
Other emoluments	82	-
Estimated monetary value of benefits-in-kind	17	-
	<u>729</u>	<u>-</u>
Non-executive directors:		
Fees	380	666
Other emoluments	197	208
Estimated monetary value of benefits-in-kind	8	10
	<u>585</u>	<u>884</u>
Other key management personnel* :		
Short-term employee benefits	5,160	4,803
	<u>9,426</u>	<u>8,947</u>

\* Other key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The details of remuneration receivable by the Chief Executive Officer during the year are as follows:

	<b>2021</b>	<b>2020</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Salaries and other emoluments	2,535	2,482
Bonus	1,078	682
Estimated monetary value of benefits-in-kind	68	96
	<u>3,681</u>	<u>3,260</u>
Amount included in employee benefit expenses	27	<u>3,164</u>

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## 27. Management expenses (continued)

### 27.2 Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	Fees RM'000	Salaries RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
<b>2021</b>						
<b>Executive Director/Chief Executive Officer</b>						
- Zakri Bin Mohd Khir	-	623	988	1,290	51	2,952
<b>Chief Executive Officer</b>						
- Wang Wee Keong (Effective 1 July 2021)	-	540	90	82	17	729
		1,163	1,078	1,372	68	3,681
<b>Non-Executive Directors of the Company</b>						
- Tan Sri Datuk (Dr.) Rafiah Binti Salim	120	-	-	160	8	288
- Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	120	-	-	17	-	137
- Dr Muhammed Abdul Khalid	120	-	-	17	-	137
- Lim Tuang Ooi	20	-	-	3	-	23
	380	-	-	197	8	585
<b>Total Directors' Remuneration of the Company (including benefits-in-kind)</b>	380	1,163	1,078	1,569	76	4,266

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## 27. Management expenses (continued)

### 27.2 Key management personnel compensation (continued)

2020	Fees RM'000	Salaries RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Executive Director/Chief Executive Officer</b>						
- Zakri Bin Mohd Khir	-	1,188	682	1,294	96	3,260
<b>Non-Executive Directors of the Company</b>						
- Tan Sri Datuk (Dr.) Rafiah Binti Salim	180	-	-	160	10	350
- Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	144	-	-	16	-	160
- Dr Muhammed Abdul Khalid	47	-	-	8	-	55
- Goh Ching Yin	98	-	-	8	-	106
- Datuk Gnanachandran A/L S Ayadurai	110	-	-	16	-	126
	579	-	-	208	10	797
<b>Total Directors' Remuneration of the Company (including benefits-in-kind)</b>	579	1,188	682	1,502	106	4,057
<b>Non-Executive Directors of the holding company *</b>						
- Peter Ho Kok Wai	51	-	-	-	-	51
- Dato' Dr. Thillainathan A/L Ramasamy	34	-	-	-	-	34
- Marzida Binti Mohd Noor	2	-	-	-	-	2
<b>Total Directors' Remuneration (including benefits-in-kind)</b>	666	1,188	682	1,502	106	4,144

\*Fees (and other emoluments) for their roles as members of the Board Committees.

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**28. Interest expense**

	<b>2021</b>	<b>2020</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense on lease liabilities	612	1,219

**29. Tax expense****29.1 Recognised in profit or loss**

	<b>2021</b>	<b>2020</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax expense</b>		
Current year	114,270	115,582
Under / (Over) provision in prior year	9,039	(2,970)
	<u>123,309</u>	<u>112,612</u>
<b>Deferred tax (income)/expense</b>		
Origination and reversal of temporary differences	(11,618)	(7,238)
(Over) / Under provision in prior year	(14,204)	1,071
15.2	<u>(25,822)</u>	<u>(6,167)</u>
<b>Tax expense</b>	<u>97,487</u>	<u>106,445</u>

**29.2 Reconciliation of tax expense**

	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	<u>429,485</u>	<u>428,553</u>
Tax at Malaysian tax rate of 24% (2020: 24%)	103,076	102,853
Non-deductible expenses	14,153	15,533
Non-taxable income	(7,445)	(8,514)
Difference in tax rate	(7,131)	(1,528)
	<u>102,653</u>	<u>108,344</u>
Over provision in prior year	(5,166)	(1,899)
Tax expense	<u>97,487</u>	<u>106,445</u>

**29. Tax expense (continued)****29.3 Income tax recognised directly in other comprehensive income**

	Note	2021 RM'000	2020 RM'000
<b>Tax effects on Available-for-sale fair value reserve</b>			
At 1 January		40,719	22,551
Net (loss) / gain arising from change in fair value	15.2	<u>(34,938)</u>	<u>18,168</u>
At 31 December		<u>5,781</u>	<u>40,719</u>
<b>Tax effects on Asset Revaluation reserve</b>			
At 1 January		2,761	3,493
Net gain / (loss) arising from change in fair value	15.2	<u>1,279</u>	<u>(732)</u>
At 31 December		<u>4,040</u>	<u>2,761</u>

**29.4 Changes in taxation****Cukai Makmur**

In December 2021, the government enacted a change in the national income tax rate for year of assessment ("YA") 2022 via the introduction of "Cukai Makmur" - a special one-off tax to be imposed on non-Micro, Small and Medium Enterprises (non-MSMEs) companies which generate high profits during the pandemic.

Accordingly, the applicable tax rates of the Company for YA 2022 are as follows:

- Chargeable income for the first RM100 million: 24%;
- Portion of chargeable income in excess of RM100 million: 33%

In measuring deferred tax assets and liabilities (Note 15) as at 31 December 2021, the Company has estimated an average tax rate based on a range of estimated taxable income for YA 2022 as well as the timing of reversal of deferred tax balances.

In determining the taxable income for YA 2022, the Company has also considered the effects of tax deductions and tax credits.



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### 30. Earnings per ordinary share

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholder and a weighted average number of ordinary shares outstanding during the year calculated as follows:

	2021 RM'000	2020 RM'000
Profit for the year attributable to ordinary shareholder	<u>331,998</u>	<u>322,108</u>
	2021 '000	2020 '000
Weighted average number of ordinary shares during the year	<u>379,168</u>	<u>379,168</u>
Basic earnings per ordinary share	<u>87.6</u>	<u>85.0</u>

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the end of the reporting year.

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

### 31. Dividends

Dividend declared in each financial year by the Company as appropriation of profits is as follows:

	Sen per share (single tier)	Total amount RM'000	Date of payment
<b>2021</b>			
Interim 2021 ordinary	63.2	<u>239,634</u>	19 January 2022
<b>2020</b>			
Interim 2020 ordinary	65.9	<u>249,872</u>	19 January 2021

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### 32. Capital expenditure commitments

	2021 RM'000	2020 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	562	685
<b>Software development</b>		
Contracted but not provided for	2,655	1,794

### 33. Related parties

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related Parties	Relationship
Allianz SE, Munich	Ultimate holding company
Allianz Malaysia Berhad	Holding company
Allianz Life Insurance Malaysia Berhad	Related company
Allianz Technology SE [Formerly known as Allianz Managed & Operations Services SE]	Related company
Allianz Investment Management SE	Related company
Allianz Investment Management Singapore Pte Ltd	Related company
Euler Hermes Singapore Services Pte Ltd	Related company
Euler Hermes Deutschland AG, Singapore branch	Related company
PT Asuransi Allianz Utama Indonesia Ltd	Related company
Allianz SE General Reinsurance Branch Labuan	Related company
Allianz Global Corporate & Specialty SE Hong Kong Branch	Related company
Allianz Global Corporate & Specialty SE	Related company
AWP Services Sdn Bhd	Related company
Rapidpro Consulting Sdn Bhd	Related company - Company connected to Director
Allianz Beratungs- Und Vertriebs-AG	Related company
Allianz Risk Consulting LLC	Related company
Allianz SE Reinsurance Branch Asia Pacific	Related company

**33. Related parties (continued)****Identity of related parties (continued)**

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company and certain members of senior management of the Company. Compensation of key management personnel have been disclosed in Note 27.2. Apart from this, there are no other transactions with key management personnel.

The significant related party transactions of the Company are as follows:

	<b>Amount transacted for the year ended 31 December 2021 RM'000</b>	<b>Amount transacted for the year ended 31 December 2020 RM'000</b>
<b>Non-trade</b>		
<b>Ultimate holding company</b>		
Payment of global marketing costs	(1,700)	(1,700)
Payment of HR consulting fee	-	(17)
Payment of training and other fees	(105)	(54)
Payment of software license fees	(53)	-
Payment of global mobility service fees	(329)	-
Payment of / Reversal of accrual for business building and regional investment	(1,451)	(2,112)
Payment of global technical support fees	(4,573)	(2,616)
Reimbursement of expenses made on behalf	-	(51)
Payment of Employee Share Purchase Plan	(298)	(2,263)
<b>Immediate holding company</b>		
Payment of expenses related to common resources	(13,409)	(11,986)
Receipt of rental of office premises	474	458
Payment of expenses made on behalf	(744)	(261)
<b>Related companies*</b>		
Payment of expenses related to common resources	(3,296)	(2,382)
Reimbursement of expenses made on behalf	7,626	4,796
Receipt of rental of office premises	153	155
Payment for insurance premium	(819)	(638)
Payment of investment advisory fees	(857)	(723)
Payment of service fees	(898)	(1,794)

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### 33. Related parties (continued)

	Amount transacted for the year ended 31 December 2021 RM'000	Amount transacted for the year ended 31 December 2020 RM'000
<b>Non-trade (continued)</b>		
<b>Related companies* (continued)</b>		
Payment of training and other fees	(174)	-
Payment of software license fees	(9,510)	(8,268)
Payment of risk management service fees	(8)	-
Payment of global mobility service fees	(280)	-
<b>Related party – Company connected with Director</b>		
Payment of training and other fees	(1,478)	(584)
<b>Trade</b>		
<b>Related companies*</b>		
Reinsurance premiums ceded	(178,982)	(156,064)
Reinsurance commission income	13,589	15,026

\* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into the normal course of business under normal trade term.

Significant related party balances related to the above transactions are disclosed in Notes 9, 10, 17 and 18.

### **34. Risk management framework**

As a provider of insurance services, the Company considers risk management to be one of its core competencies. It is an integral part of the Company's business process. In order to protect its assets, the Company has established a risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are identified, analysed and evaluated. Risk appetite is defined by the Company's risk strategy and limit structure. Close monitoring and reporting allows the Company to detect deviations from its risk tolerance limits at an early stage.

The Allianz risk management framework consists of the following four primary components:

#### ***Risk underwriting and identification***

A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets form the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

#### ***Risk reporting and monitoring***

The Company's qualitative and quantitative risk reporting and controlling framework provides transparency and risk indicators to senior management with regards to its overall risk profile and whether the profile is within the delegated limits and authorities.

#### ***Risk strategy and risk appetite***

The Company's risk strategy clearly defines its risk appetite. It ensures that returns are appropriate for the risks taken and that the delegated authorities are in line with the Company's overall risk bearing capacity. The risk-return profile is improved through integration of risk considerations and capital needs into management and decision making process. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within its risk appetite.

#### ***Communication and transparency***

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Company's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

### **34. Risk management framework (continued)**

#### **Risk governance structure**

The Board of Directors of the Company (“the Board”) assumes the ultimate responsibility over the effectiveness of the Company’s risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee (“RMC”) to discharge its oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Company. RMC also oversees the Senior Management’s activities in managing the key risk areas of the Company and to ensure that risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of Allianz Malaysia Berhad Group of companies (“AMB Group”) and to report to the Board on its recommendations and/or decisions. Through structured reporting from the Risk Management Working Committee (“RMWC”), RMC will consolidate the status of the risks and present them to the Board for consideration.

RMWC serves as and provides a platform for two way communications between the management and the RMC on matters of the AMB Group’s risk management framework and its strategies. RMWC is responsible in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendations to the Board. RMWC determines the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversees the compliance of all risk management process by all departments of the Company and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

#### **Governance and regulatory framework**

The Company is required to comply with the requirements of the Financial Services Act (“FSA”), 2013, relevant laws and guidelines required by BNM and Persatuan Insurans Am Malaysia (“PIAM”).

The Company is also required to comply with all Allianz SE Group’s policies and standards. If there is any conflict with the local laws or regulations, the local law or regulations have priority while the stricter will apply where possible.

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### 35. Insurance risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims, frequency and severity and risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise underwriting risks through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines, limits and standards.

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risks represent the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below sets out the concentration of the general insurance risk based on the provision for outstanding claims (before impairment of reinsurance assets) as at the end of the reporting period by class of business.

	2021			2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	657,844	(357,556)	300,288	366,739	(92,821)	273,918
Motor	1,638,503	(86,986)	1,551,517	1,493,730	(98,646)	1,395,084
Marine, aviation, cargo and transit	170,531	(127,787)	42,744	169,843	(140,589)	29,254
Miscellaneous	727,511	(344,146)	383,365	694,243	(405,341)	288,902
<b>Total</b>	<b>3,194,389</b>	<b>(916,475)</b>	<b>2,277,914</b>	<b>2,724,555</b>	<b>(737,397)</b>	<b>1,987,158</b>

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### 35. Insurance risk (continued)

#### Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling cost and claims numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

No discounting is made to the recommended claims and premium liability provisions as a prudent measure. In addition, no explicit inflation adjustment has been made to claims amount payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development. It is worthwhile to note that discounting is unlikely to result in any material impact due to the short tail nature of almost all classes, coupled with the low prevailing interest rate environment.

The Company has based its risk margin for adverse deviation ("PRAD") for the unexpired risks reserves and insurance claims at the minimum 75% confidence level of sufficiency, according to the requirement set by BNM under the Risk-Based Capital ("RBC") Framework for Insurers. The valuation of claims and premium liabilities as at 31 December 2021 have taken into account the COVID-19 impact.

#### Sensitivities

Analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

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



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### 35. Insurance risk (continued)

#### Sensitivities (continued)

	Change in assumptions	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit after Tax	Impact on Equity*
		RM'000	RM'000	RM'000	RM'000
<b>31 December 2021</b>					
Average claim cost	+10%	321,992	231,644	(176,049)	(176,049)
Average number of claims	+10%	293,293	236,967	(180,095)	(180,095)
Average claim settlement period	Increased by 6 months	41,774	30,319	(23,043)	(23,043)
<hr/>					
<b>31 December 2020</b>					
Average claim cost	+10%	275,699	203,359	(154,553)	(154,553)
Average number of claims	+10%	275,955	231,201	(175,713)	(175,713)
Average claim settlement period	Increased by 6 months	27,423	20,615	(15,667)	(15,667)
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\* Impact on equity reflects adjustments for tax, where applicable.

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

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**35. Insurance risk (continued)**

**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 the end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Company believes that the estimate of total claims outstanding as of 31 December 2021 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Gross general insurance claims liabilities as at 31 December 2021:

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	1,509,464	1,429,139	1,738,148	
One year later		1,193,164	1,278,469	1,368,219	1,406,527	1,380,596	1,453,938	1,283,734	-	
Two years later		1,154,151	1,256,084	1,352,452	1,362,861	1,372,723	1,407,591	-	-	
Three years later		1,141,005	1,235,679	1,325,371	1,336,934	1,347,544	-	-	-	
Four years later		1,141,354	1,224,698	1,254,542	1,324,758	-	-	-	-	
Five years later		1,135,385	1,203,126	1,244,392	-	-	-	-	-	
Six years later		1,103,220	1,192,204	-	-	-	-	-	-	
Seven years later		1,082,288	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		1,082,288	1,192,204	1,244,392	1,324,758	1,347,544	1,407,591	1,283,734	1,738,148	

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Gross general insurance claims liabilities as at 31 December 2021: (continued)

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		375,685	387,586	514,882	561,727	541,747	520,155	436,499	487,399	
One year later		771,098	861,538	924,136	979,473	946,706	886,123	770,352	-	
Two years later		924,769	1,013,855	1,054,371	1,104,992	1,052,957	996,401	-	-	
Three years later		986,338	1,070,252	1,116,854	1,145,041	1,101,378	-	-	-	
Four years later		1,017,591	1,092,007	1,134,220	1,169,673	-	-	-	-	
Five years later		1,024,854	1,102,559	1,148,942	-	-	-	-	-	
Six years later		1,029,103	1,108,334	-	-	-	-	-	-	
Seven years later		1,030,242	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>		1,030,242	1,108,334	1,148,942	1,169,673	1,101,378	996,401	770,352	487,399	
Gross general insurance claims liabilities (direct and facultative)	48,686	52,046	83,870	95,450	155,085	246,166	411,190	513,382	1,250,749	2,856,624
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										38,921
Best estimate of claims liabilities										2,895,545
Claims handling expenses										32,288
PRAD at 75% confidence level										266,556
<b>Gross general insurance claims liabilities</b>										<b>3,194,389</b>

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Gross general insurance claims liabilities as at 31 December 2020:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		1,145,412	1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	1,509,464	1,429,139	
One year later		1,182,773	1,193,164	1,278,469	1,368,219	1,406,527	1,380,596	1,453,938	-	
Two years later		1,119,096	1,154,151	1,256,084	1,352,452	1,362,861	1,372,723	-	-	
Three years later		1,096,339	1,141,005	1,235,679	1,325,371	1,336,934	-	-	-	
Four years later		1,167,402	1,141,354	1,224,698	1,254,542	-	-	-	-	
Five years later		1,157,674	1,135,385	1,203,126	-	-	-	-	-	
Six years later		1,132,788	1,103,220	-	-	-	-	-	-	
Seven years later		1,108,045	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		1,108,045	1,103,220	1,203,126	1,254,542	1,336,934	1,372,723	1,453,938	1,429,139	

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Gross general insurance claims liabilities as at 31 December 2020: (continued)

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		344,439	375,685	387,586	514,882	561,727	541,747	575,409	498,001	
One year later		729,326	771,098	861,538	924,136	979,473	946,706	886,123	-	
Two years later		857,382	924,769	1,013,855	1,054,371	1,104,992	1,052,957	-	-	
Three years later		916,928	986,338	1,070,252	1,116,845	1,145,041	-	-	-	
Four years later		1,065,902	1,017,591	1,092,007	1,134,220	-	-	-	-	
Five years later		1,072,513	1,024,854	1,102,559	-	-	-	-	-	
Six years later		1,077,989	1,029,103	-	-	-	-	-	-	
Seven years later		1,081,856	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>		1,081,856	1,029,103	1,102,559	1,134,220	1,145,041	1,052,957	886,123	498,001	
Gross general insurance claims liabilities (direct and facultative)	98,700	26,189	74,117	100,567	120,322	191,893	319,766	567,815	931,138	2,430,507
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										40,359
Best estimate of claims liabilities										2,470,866
Claims handling expenses										25,714
PRAD at 75% confidence level										227,975
<b>Gross general insurance claims liabilities</b>										<b>2,724,555</b>

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Net general insurance claims liabilities as at 31 December 2021:

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		971,458	1,101,455	1,200,101	1,279,931	1,316,381	1,288,646	1,275,378	1,378,058	
One year later		932,778	1,073,872	1,123,821	1,228,773	1,250,031	1,262,739	1,163,249	-	
Two years later		906,323	1,049,986	1,097,165	1,198,917	1,224,761	1,244,906	-	-	
Three years later		897,675	1,021,432	1,075,612	1,173,951	1,208,500	-	-	-	
Four years later		888,196	1,014,846	1,069,385	1,167,124	-	-	-	-	
Five years later		882,916	1,003,396	1,058,880	-	-	-	-	-	
Six years later		857,984	994,467	-	-	-	-	-	-	
Seven years later		841,928	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		841,928	994,467	1,058,880	1,167,124	1,208,500	1,244,906	1,163,249	1,378,058	

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Net general insurance claims liabilities as at 31 December 2021: (continued)

Accident year	Before	2014	2015	2016	2017	2018	2019	2020	2021	Total
	2014	2014	2015	2016	2017	2018	2019	2020	2021	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		326,832	356,733	468,300	518,300	507,250	496,380	416,786	466,753	
One year later		638,954	746,891	817,863	896,008	888,891	839,564	736,854	-	
Two years later		743,920	872,368	925,817	998,910	983,920	939,217	-	-	
Three years later		790,073	918,932	972,070	1,034,851	1,030,774	-	-	-	
Four years later		809,772	934,819	988,580	1,053,901	-	-	-	-	
Five years later		815,609	943,446	1,001,058	-	-	-	-	-	
Six years later		817,744	948,516	-	-	-	-	-	-	
Seven years later		818,655	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>		818,655	948,516	1,001,058	1,053,901	1,030,774	939,217	736,854	466,753	
Net general insurance claims liabilities (direct and facultative)	19,354	23,273	45,951	57,822	113,223	177,726	305,689	426,395	911,305	2,080,738
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										34,114
Best estimate of claims liabilities										2,114,852
Claims handling expenses										32,288
PRAD at 75% confidence level										133,349
<b>Net general insurance claims liabilities</b>										<b>2,280,489</b>



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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Net general insurance claims liabilities as at 31 December 2020:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		875,651	971,458	1,101,455	1,200,101	1,279,931	1,316,381	1,288,646	1,275,378	
One year later		817,971	932,778	1,073,872	1,123,821	1,228,773	1,250,031	1,262,739	-	
Two years later		811,555	906,323	1,049,986	1,097,165	1,198,917	1,224,761	-	-	
Three years later		799,099	897,675	1,021,432	1,075,612	1,173,951	-	-	-	
Four years later		798,047	888,196	1,014,846	1,069,385	-	-	-	-	
Five years later		791,855	882,916	1,003,396	-	-	-	-	-	
Six years later		768,990	857,984	-	-	-	-	-	-	
Seven years later		749,930	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		749,930	857,984	1,003,396	1,069,385	1,173,951	1,224,761	1,262,739	1,275,378	

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### 35. Insurance risk (continued)

#### Claims development table (continued)

#### Net general insurance claims liabilities as at 31 December 2020: (continued)

Accident year	Before	2013	2014	2015	2016	2017	2018	2019	2020	Total
	2013									
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		294,253	326,832	356,733	468,300	518,300	507,250	496,380	478,287	
One year later		572,157	638,954	746,891	817,863	896,008	888,891	839,564	-	
Two years later		667,310	743,920	872,368	925,817	998,910	983,920	-	-	
Three years later		704,910	790,073	918,932	972,070	1,034,851	-	-	-	
Four years later		724,817	809,772	934,819	988,580	-	-	-	-	
Five years later		729,683	815,609	943,446	-	-	-	-	-	
Six years later		733,554	817,744	-	-	-	-	-	-	
Seven years later		735,919	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>			735,919	817,744	943,446	988,580	1,034,851	983,920	839,564	478,287
Net general insurance claims liabilities (direct and facultative)	15,503	14,012	40,240	59,950	80,805	139,099	240,841	423,175	797,091	1,810,716
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										36,755
Best estimate of claims liabilities										1,847,471
Claims handling expenses										25,715
PRAD at 75% confidence level										116,550
<b>Net general insurance claims liabilities</b>										<b>1,989,736</b>

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## **36. Financial risks**

Exposure to credit, liquidity, market (currency risk, interest rate risk, equity price risk) and operational risks arises in the normal course of the Company's business. The Company is guided by its risk management framework as well as policies and guidelines from the ultimate holding company, Allianz SE which sets out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

### **36.1 Credit risk**

Credit risk involves the potential losses that may result from the default of counterparties to meet their contractual obligations. The Company is exposed to credit risk from the underwriting of general insurance business and investment in fixed income instruments. Financial losses may materialise when the counterparties failed to meet payment obligations for various reasons.

The Company has policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an ongoing basis. Reinsurance is prioritised to local insurers or reinsurers, and if the Company has to place overseas, only counterparties with a credit rating that is acceptable based on Allianz Guideline for Reinsurance Security are used.

The Company's Investment Mandate imposes limits by issuer/counterparty and by credit ratings for investments in corporate fixed income securities (all securities that entails credit risks, e.g. credit facilities, bank deposits of longer than 1-year, certificates of deposits, notes, etc.); and these limits are reviewed at least on annual basis. Active monitoring of the exposure against those limits are in place and reported to RMWC, RMC and Investment Committee on quarterly basis.

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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.1 Credit exposure

The tables below provide information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired			Past-due but not impaired RM'000	Total RM'000
	Investment grade RM'000	Non-investment grade RM'000	Non-rated RM'000		
<b>31 December 2021</b>					
Loans and receivables					
Loans and other receivables	-	-	80,086	-	80,086
Fixed deposits	231,269	-	-	-	231,269
Cash and cash equivalents	349,809	-	83	-	349,892
Available-for-sale financial investments					
Malaysian government securities	-	-	1,999,293	-	1,999,293
Malaysian government guaranteed bonds	-	-	662,938	-	662,938
Unquoted debt securities	1,433,491	-	-	-	1,433,491
Reinsurance assets (reported claims)	404,700	-	50,238	-	454,938
Insurance receivables	46,571	-	70,039	9,229	125,839
	<u>2,465,840</u>	<u>-</u>	<u>2,862,677</u>	<u>9,229</u>	<u>5,337,746</u>

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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.1 Credit exposure (continued)

	Neither past-due nor impaired			Past-due but not impaired RM'000	Total RM'000
	Investment grade RM'000	Non-investment grade RM'000	Non-rated RM'000		
<b>31 December 2020</b>					
Loans and receivables					
Loans and other receivables	-	-	84,305	-	84,305
Fixed deposits	178,318	-	-	-	178,318
Cash and cash equivalents	325,168	-	83	-	325,251
Available-for-sale financial investments					
Malaysian government securities	-	-	1,731,564	-	1,731,564
Malaysian government guaranteed bonds	-	-	719,862	-	719,862
Unquoted debt securities	1,285,836	-	-	-	1,285,836
Reinsurance assets (reported claims)	437,919	-	88,278	-	526,197
Insurance receivables	39,789	-	78,342	23,939	142,070
	<u>2,267,030</u>	<u>-</u>	<u>2,702,434</u>	<u>23,939</u>	<u>4,993,403</u>

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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.1 Credit exposure (continued)

The tables below provide information regarding the credit risk exposure of the Company by classifying financial assets according to rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non-rated RM'000	Total RM'000
<b>31 December 2021</b>							
Loans and receivables							
Loans and other receivables	-	-	-	-	-	80,086	80,086
Fixed deposits	60,512	170,757	-	-	-	-	231,269
Cash and cash equivalents	251,933	97,208	668	-	-	83	349,892
Available-for-sale financial investments							
Malaysian government securities	-	-	-	-	-	1,999,293	1,999,293
Malaysian government guaranteed bonds	-	-	-	-	-	662,938	662,938
Unquoted debt securities	775,374	654,367	-	-	3,750	-	1,433,491
Reinsurance assets (reported claims)	-	318,985	85,575	140	-	50,238	454,938
Insurance receivables	-	8,605	37,954	12	-	79,268	125,839
	<b>1,087,819</b>	<b>1,249,922</b>	<b>124,197</b>	<b>152</b>	<b>3,750</b>	<b>2,871,906</b>	<b>5,337,746</b>

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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.1 Credit exposure (continued)

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non-rated RM'000	Total RM'000
<b>31 December 2020</b>							
Loans and receivables							
Loans and other receivables	-	-	-	-	-	84,305	84,305
Fixed deposits	45,757	132,561	-	-	-	-	178,318
Cash and cash equivalents	273,637	50,618	913	-	-	83	325,251
Available-for-sale financial investments							
Malaysian government securities	-	-	-	-	-	1,731,564	1,731,564
Malaysian government guaranteed bonds	-	-	-	-	-	719,862	719,862
Unquoted debt securities	652,822	603,521	25,744	3,749	-	-	1,285,836
Reinsurance assets (reported claims)	-	345,626	91,497	796	-	88,278	526,197
Insurance receivables	-	2,371	37,409	9	-	102,281	142,070
	<u>972,216</u>	<u>1,134,697</u>	<u>155,563</u>	<u>4,554</u>	<u>-</u>	<u>2,726,373</u>	<u>4,993,403</u>

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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.1 Credit exposure (continued)

The tables below provide information regarding the credit risk exposure of the Company according to the Company's categorisation of counterparties by credit rating.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non-rated RM'000	Total RM'000
<b>31 December 2021</b>							
Investment grade	1,087,819	1,249,922	124,197	152	3,750	-	2,465,840
Non-investment grade	-	-	-	-	-	-	-
Non-rated	-	-	-	-	-	2,862,677	2,862,677
Past-due but not impaired	-	-	-	-	-	9,229	9,229
	<u>1,087,819</u>	<u>1,249,922</u>	<u>124,197</u>	<u>152</u>	<u>3,750</u>	<u>2,871,906</u>	<u>5,337,746</u>

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non-rated RM'000	Total RM'000
<b>31 December 2020</b>							
Investment grade	972,216	1,134,697	155,563	4,554	-	-	2,267,030
Non-investment grade	-	-	-	-	-	-	-
Non-rated	-	-	-	-	-	2,702,434	2,702,434
Past-due but not impaired	-	-	-	-	-	23,939	23,939
	<u>972,216</u>	<u>1,134,697</u>	<u>155,563</u>	<u>4,554</u>	<u>-</u>	<u>2,726,373</u>	<u>4,993,403</u>



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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.2 Age analysis of financial assets past-due but not impaired

The Company maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	Total RM'000
<b>31 December 2021</b>					
Insurance receivables	1,247	2,828	1,464	3,690	9,229
<b>31 December 2020</b>					
Insurance receivables	6,421	2,418	6,261	8,839	23,939

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### 36. Financial risks (continued)

#### 36.1 Credit risk (continued)

##### 36.1.3 Impaired financial assets

At 31 December 2021, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM53,475,000 (2020: RM53,415,000), loans and other receivables of RM742,000 (2020: RM742,000) and reinsurance assets of RM2,575,000 (2020: RM2,578,000). No collateral is held as security for any past-due or impaired assets. The Company records impairment allowance for insurance receivables and loans and other receivables in separate 'Allowance for Impairment' accounts and impairment allowance for reinsurance assets in net claims incurred. The movements of the allowance for impairment losses for insurance receivables, reinsurance assets and loans and other receivables are as follows:

	Insurance receivables		Reinsurance assets		Loans and other receivables	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	53,415	55,675	2,578	2,586	742	1,410
Impairment loss recognised / (reversed)	287	(916)	(3)	(8)	-	457
Written off during the year	(227)	(1,344)	-	-	-	(1,125)
At 31 December	53,475	53,415	2,575	2,578	742	742

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## **36. Financial risks (continued)**

### **36.2 Liquidity risk**

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Company, refinancing is only possible at higher interest rates or assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets in the portfolio. Some other tools used by the Company include ensuring that its assets and liabilities are adequately matched and drawing down of funds to meet claims payment should the claims event exceed a certain amount as provided for in the reinsurance contracts.

#### **36.2.1 Maturity profiles**

The tables below summarise the maturity profile of the financial liabilities of the Company at the end of the reporting year based on remaining undiscounted contractual obligations, including interest/profit payable.

For provision for claims, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

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### 36. Financial risks (continued)

#### 36.2 Liquidity risk (continued)

##### 36.2.1 Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<b>31 December 2021</b>								
Provision for claims (reported claims)	2,078,094	1,251,947	668,483	130,588	27,076	-	-	2,078,094
Lease liabilities	17,082	13,259	4,131	-	-	-	-	17,390
Insurance payables	267,398	265,860	920	618	-	-	-	267,398
Other payables and accruals	459,785	459,785	-	-	-	-	-	459,785
<b>Total financial liabilities</b>	<b>2,822,359</b>	<b>1,990,851</b>	<b>673,534</b>	<b>131,206</b>	<b>27,076</b>	<b>-</b>	<b>-</b>	<b>2,822,667</b>

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### 36. Financial risks (continued)

#### 36.2 Liquidity risk (continued)

##### 36.2.1 Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<b>31 December 2020</b>								
Provision for claims (reported claims)	1,992,729	1,221,487	624,000	121,576	25,666	-	-	1,992,729
Lease liabilities	30,012	14,371	16,649	-	-	-	-	31,020
Insurance payables	236,595	220,603	14,012	1,980	-	-	-	236,595
Other payables and accruals	477,268	477,268	-	-	-	-	-	477,268
<b>Total financial liabilities</b>	<b>2,736,604</b>	<b>1,933,729</b>	<b>654,661</b>	<b>123,556</b>	<b>25,666</b>	<b>-</b>	<b>-</b>	<b>2,737,612</b>

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## 36. Financial risks (continued)

### 36.3 Market risk

Market risk is the risk of loss arising from changes in market prices or parameters influencing market prices. This includes changes in market prices due to a worsening of market liquidity. Market risk comprises of currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee actively monitors the investment activities undertaken by the Company;
- The Investment Policy and Mandate which formulated the single counterparty limits, group limits and sector limits are in place. Compliance to such limits is monitored closely and reported to RMWC, RMC and Investment Committee on a quarterly basis;
- Stress tests are performed as and when needed;
- Stop loss policy is in place.

#### 36.3.1 Currency risk

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

The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Company's main foreign exchange risk from recognised assets and liabilities 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 is deemed minimal as the Company has no significant concentration of foreign currency risk.

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### 36. Financial risks (continued)

#### 36.3 Market risk (continued)

##### 36.3.2 Interest rate risk

The Company is affected by changes in market interest rates which will impact the fair value of available-for-sale financial instruments and will incur an economic loss when the interest rates increase.

##### Interest rate sensitivity analysis

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit after tax and equity.

	Change in variables	Impact on Profit after Tax RM'000	Impact on Equity* RM'000
<b>31 December 2021</b>			
Interest rate	+ 100 basis points	-	(119,535)
Interest rate	+ 50 basis points	-	(59,768)
Interest rate	- 100 basis points	-	119,535
Interest rate	- 50 basis points	-	59,768
<b>31 December 2020</b>			
Interest rate	+ 100 basis points	-	(100,984)
Interest rate	+ 50 basis points	-	(50,492)
Interest rate	- 100 basis points	-	100,984
Interest rate	- 50 basis points	-	50,492

\* Impact on equity reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

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

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## **36. Financial risks (continued)**

### **36.3 Market risk (continued)**

#### **36.3.3 Equity price risk**

Equity price risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

## **36.4 Operational risk**

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Relevant operational risks and control weaknesses are identified and evaluated via a structured self-assessment. Besides, operational risk events are collected so that significant losses can be used to analyse and provide measures aimed at avoiding or reducing future losses.

The Company puts in place the following controls to monitor and mitigate such risk:

- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training; and
- Evaluation procedures such as internal audit.



**36. Financial risks (continued)****36.5 Fair value of financial instruments**

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

- (a) The fair values of structured deposits and negotiable instruments of deposit are based on the indicative market prices from the issuing banks.
- (b) The fair values of Malaysian government securities, Malaysian government guaranteed bonds and unquoted debt securities are based on the fair values provided by the Company's custodian bank.
- (c) The fair values of unquoted unit trust in Malaysia are based on the net asset values of the unquoted unit trust in Malaysia as at the date of the statements of assets and liabilities obtained from fund managers.
- (d) The carrying amounts of fixed deposits are assumed to reasonably approximate their fair values.
- (e) The carrying amounts of cash and cash equivalents, insurance receivables and other receivables, insurance payables, and other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Company's investment in unquoted equity securities due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

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### 36. Financial risks (continued)

#### 36.5 Fair value of financial instruments (continued)

##### 36.5.1 Fair value hierarchy

The tables below analyse financial instruments carried at fair value in the statement of financial position by the various levels within the fair value hierarchy.

	Fair value of financial instruments carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>31 December 2021</b>						
<b>Financial assets</b>						
Malaysian government securities	-	1,999,293	-	1,999,293	1,999,293	1,999,293
Malaysian government guaranteed bonds	-	662,938	-	662,938	662,938	662,938
Unquoted debt securities	-	1,433,491	-	1,433,491	1,433,491	1,433,491
Unquoted unit trust in Malaysia	-	1,118,437	-	1,118,437	1,118,437	1,118,437
	-	5,214,159	-	5,214,159	5,214,159	5,214,159

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### 36. Financial risks (continued)

#### 36.5 Fair value of financial instruments (continued)

##### 36.5.1 Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>31 December 2020</b>					
<b>Financial assets</b>					
Malaysian government securities	-	1,731,564	-	1,731,564	1,731,564
Malaysian government guaranteed bonds	-	719,862	-	719,862	719,862
Unquoted debt securities	-	1,285,836	-	1,285,836	1,285,836
Unquoted unit trust in Malaysia	-	1,284,907	-	1,284,907	1,284,907
	-	5,022,169	-	5,022,169	5,022,169

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2020: no transfer in either directions).

### 37. Capital management

The RBC Framework was first issued on 1 January 2009 and with the latest update that takes effect from 17 December 2018. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

#### Regulatory capital requirements

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

	2021 RM'000	2020 RM'000
<b>Tier 1 Capital</b>		
Paid up share capital	379,168	379,168
Retained earnings	1,814,776	1,722,412
	<u>2,193,944</u>	<u>2,101,580</u>
<b>Tier 2 Capital</b>		
Reserves	39,240	145,269
	<u>39,240</u>	<u>145,269</u>
<b>Amounts deducted from capital</b>		
Intangible assets	(85,683)	(94,780)
Deferred tax assets	(34,404)	-
	<u>(120,087)</u>	<u>(94,780)</u>
<b>Total capital available</b>	<u><u>2,113,097</u></u>	<u><u>2,152,069</u></u>

### 38. Contingencies

On 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by the Company pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia ("BNM")'s directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, the Company received MyCC's notice of proposed decision ("Proposed Decision") that the Company and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. The Company, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, the Company submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. The Company's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard the Company's Oral Representation, the Company's solicitors had requested MyCC to hold de novo (new) proceedings in relation to the Company's Oral Representation before the new Members of Commission. The Company's Oral Representation sessions took place on 19 and 20 February 2019. PIAM had commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel representing 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation by PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel were heard over 17 and 18 June 2019.

"On 25 September 2020, the Company's solicitors received the Decision that parties have infringed the prohibition under section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement."

In view of the impact of the COVID-19 pandemic, MyCC granted a reduction of 25% of the financial penalties imposed on the 22 general insurers and a moratorium period of up to 6 months for the payment of the financial penalties to be made by 6 equal monthly instalments. The financial penalty imposed on the Company, taking into account the 25% reduction amounts to RM18,549,595.97.

**38. Contingencies (continued)****Appeal filed with the Competition Appeal Tribunal ("CAT")**

"The Company had on 13 October 2020 filed a Notice of Appeal with the CAT against the Decision, pursuant to Section 52 of the CA ("Appeal"). On 23 October 2020, the Company filed a Stay Application with the CAT pursuant to Section 53 of the CA for the grant of a stay of the Decision particularly in respect of the financial penalty imposed on the Company and at CAT's request, a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020."

In response to the Company's Notice of Appeal, MyCC had filed a Statement in Reply ("SIR") dated 20 November 2020 with the CAT. The Company then filed its Reply to the SIR on 11 December 2020 to put on record that except for statements of fact, the Company denies the remaining contents of the SIR and also to reiterate that all issues raised by MyCC had already been addressed in the Company's Notice of Appeal.

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and Hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. The case management and Hearing date earlier fixed for 18 February 2021 before CAT was then rescheduled to 25 February 2021. Whilst the hearing of the stay applications of the rest of the insurers took place on 25 February 2021, the Company's oral submissions were heard in a confidential session on 26 February 2021. As MyCC's counsel requested for a new hearing date for MyCC's reply, CAT fixed 5 March 2021 on which date, MyCC's counsel submitted their reply and CAT also heard the Company's reply submission. On 12 March 2021, the reply submissions of the other insurers were concluded and CAT then set the afternoon of 23 March 2021 to deliver its decision on the Stay Application. On 23 March 2021, CAT allowed the Stay Application, pending the disposal of the Appeal.

At the case management before CAT on 30 April 2021, the Company's solicitors raised certain preliminary issues that would need to be addressed prior to the hearing of the Appeal and CAT fixed the following dates to hear the same:-

- a. 27 May 2021 as the next case management to hear parties in relation to the said preliminary issues;
- b. 4 June 2021 for the Company to update CAT on the Judicial Review proceedings as well as the
- c. 2 July 2021 for the hearing of BNM's appeal.

The case management before CAT on 27 May 2021 was held in a confidential session with BNM and MyCC in attendance whilst the case management fixed for 4 June 2021 for the Company to update CAT on the Judicial Review proceedings was postponed to 29 July 2021 and the hearing of BNM's appeal on 2 July 2021 was adjourned due to the Full Movement Control Order.

**38. Contingencies (continued)****Appeal filed with the Competition Appeal Tribunal (“CAT”) (continued)**

On 29 July 2021, the Company’s solicitors attended the case management before CAT which directed as follows:

- a. the appellants (i.e. all the 22 insurers) and MyCC are to collectively file a common list of issues to be tried;
- b. each appellant may elect to file a further separate list of issues that are specific to the facts of their appeal; and
- c. appellants intending to call witnesses are to provide CAT with the list of witnesses they intend to call and the reason/relevance for calling such witnesses.

The oral submissions in relation to the insurers’ appeal before CAT were heard over several hearing dates in November 2021. CAT then fixed new dates in March and April 2022 for MyCC to conclude its oral submissions and counsel for the insurers to present their submissions in reply.

**Application for leave for Judicial Review filed at the High Court of Malaya**

Separately, on 26 April 2021 the High Court of Malaya granted the Company leave to apply for Judicial Review of MyCC’s Decision and an interim stay of the Decision until the hearing of any objection or application by MyCC to set it aside. (This was in relation to the Company’s ex-parte application for leave for Judicial Review (“Judicial Review Application”) and application for a stay filed at the High Court on 24 December 2020 but given the discreet nature of the ex-parte application, it was not disclosed earlier.) The Company filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 and MyCC then filed an affidavit in support of its striking out application against the orders granting the Company leave to apply for judicial review and interim stay (“MyCC’s Setting Aside Application”). The Company had filed a reply affidavit on 27 May 2021 opposing the same and MyCC’s Setting Aside Application was fixed for hearing on 21 July 2021.

The hearing of MyCC’s Setting Aside Application on 21 July 2021 commenced with parties’ oral submissions and the continued hearing was fixed for 4 August 2021. As MyCC filed an affidavit on the eve (“Delayed Affidavit”), at the continued hearing on 4 August 2021, the Company’s solicitors made an oral application to expunge the Delayed Affidavit as it had been filed after the commencement of submissions. On 26 August 2021, the Judge decided to allow MyCC’s Delayed Affidavit to remain on record. In order to not delay further the proceedings, the Company’s solicitors elected not to file any further affidavit in reply but instead put on record that they did not admit to nor accept the contents of MyCC’s Delayed Affidavit and proceeded with oral submissions in reply against MyCC’s Setting Aside Application. MyCC’s final submissions in reply were heard on 15 September 2021 and as certain new issues were raised by MyCC, the Company’s submissions in reply thereto were heard on 27 September 2021. On 20 October 2021, the High Court decided to allow MyCC’s Setting Aside Application and on its solicitors’ recommendation, AGIC filed a Notice of Appeal against the said decision on 18 November 2021. During the first case

**38. Contingencies (continued)****Application for leave for Judicial Review filed at the High Court of Malaya (continued)**

management on 7 January 2022, the Company's solicitors updated the Court of Appeal that the Company's record of appeal would be filed in January 2022 and the matter was then fixed for the next case management on 1 March 2022 for parties to update the Court of Appeal on the progress thereon. The Company's record of appeal has since been filed on 17 January 2022.

The management of the Company believes that the criteria to disclose the above as a contingent liability are met. Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

**39. Material litigation**

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Bright Mission Berhad (when it was known as Commerce Assurance Berhad ("CAB")) previously in respect of CAB's Extended Warranty Programme ("EWP").

The Company took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

The reinsurance transactions were initially on a facultative basis. However, as the business volume increased, the facultative arrangements became too expensive to administer. The Company and VSC (collectively the "Parties") therefore negotiated and entered into a treaty reinsurance agreement upon terms, inter alia, that the reinsurance coverage was to be continuous subject to termination as provided for in the reinsurance agreement.

A dispute arose between the Parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. The Company's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, the Company commenced arbitration proceedings against VSC seeking, inter alia:

- (i) A declaration that the reinsurance subsisted until 30 September 2013;
- (ii) A declaration that VSC will pay and/or indemnify the Company for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (iii) Damages to be assessed including for loss of profits and breach of contract.



**39. Material litigation (continued)**

The Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both Parties then filed further written submissions bringing the arbitration proceedings to an end.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC ("Award") whilst the Dissenting Arbitrator found in favour of the Company.

The Award ordered AGIC to pay the following:

- (i) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (ii) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (iii) RM668,160.69 for costs and expenses incurred by VSC; and
- (iv) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

As the Company's solicitors were of the view that there were reasonable grounds to seek a review of the majority decision, an Originating Summons was filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("Arbitration Act") and for a Reference of Questions of law under section 42 of the Arbitration Act. The matter was first heard on 18 February 2019 and hearing continued on 13 March 2019 and concluded on 18 April 2019. On 28 June 2019, the Court declined the Company's application to set aside the Award ("Decision"). Based on the Company solicitors' advice, a Notice of Appeal against the Decision was filed on 15 July 2019 at the Court of Appeal ("AGIC's Appeal"). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019.

In a separate action, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against the Company requiring the Company to pay VSC all the costs ordered by the Award. The Company's solicitors then filed a stay application on VSC's OS. On 25 October 2019, as VSC's solicitors had no objections to the Company's stay application, a further case management date was fixed for 7 November 2019 for the stay order to be formally recorded before a Judge. On 7 November 2019, the Judge allowed the Company's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC's OS should be withdrawn and filed afresh (should VSC succeed in dismissing AGIC's Appeal), a further case management was fixed for 9 December 2019 in order for VSC's solicitors to obtain VSC's instructions.

Meanwhile, the Company's Appeal came up for case management on 20 November 2019 when a new case management date was set for 13 January 2020.

**39. Material litigation (continued)**

On VSC's OS, at the final case management on 9 December 2019, as VSC's solicitors confirmed that they had instructions to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

At the case management for the AGIC's Appeal on 13 January 2020, the Court of Appeal fixed a further case management for 19 February 2020 as the Company's solicitors had yet to receive the High Court's substantive Grounds of Decision ("Grounds"). On 17 February 2020, the Court of Appeal wrote to the Parties' solicitors to reschedule the earlier fixed case management date to 26 February 2020. On this date, the Court of Appeal was informed that the Company's solicitors had still not received the Grounds so another case management was fixed for 8 April 2020. Just before the effective date of the Movement Control Order, the High Court notified that the Grounds were ready for collection but since the Company's solicitors were unable to collect the Grounds, at the e-review of the matter on 8 April 2020, a new date for case management was fixed for 15 May 2020.

On 15 May 2020, the Company's solicitors informed the Court of Appeal that the Grounds had been collected and the Court directed for the Memorandum of Appeal and Supplementary Record of Appeal to be filed before the next case management fixed for 9 July 2020. On 9 July 2020, the Court of Appeal fixed a further case management date on 19 August 2020 as the Notes of Proceedings were still pending. At the case management on 19 August 2020, the Court of Appeal fixed AGIC's Appeal for Hearing on 2 February 2021 and a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions. On 26 January 2021, the Court of Appeal was updated that all appeal directions had been complied with and the Court then directed that the Hearing on 2 February 2021 be conducted virtually via Zoom. However, on 2 February 2021, the Hearing was adjourned to a date to be fixed later as several other cases were also fixed for hearing that day. The next case management has now been fixed for 19 August 2021 whilst the Hearing was fixed for 3 September 2021. On 19 August 2021, the Court of Appeal confirmed that the Hearing fixed for 3 September 2021 would proceed virtually via Zoom. On 3 September 2021, the Court of Appeal heard and dismissed the Company's Appeal. As the Company's solicitors had strongly recommended that the Company files a leave application to appeal to the Federal Court on this matter ("Leave Application"), the Company had on 1 October 2021 filed the said Leave Application. On 20 October 2021, VSC's solicitors filed and served on the Company's solicitors an Affidavit in response to the Leave Application. At the case management on 12 November 2021, the Company's solicitors objected to VSC's Affidavit as VSC had taken the position that it would rely on its earlier Affidavit filed in the High Court. VSC's solicitors then informed the Court that VSC would file an application for extension of time to file a proper Reply Affidavit ("Application for EXOT") and the Court directed that the said application be filed by 26 November 2021, and VSC filed the same as directed. During the case management on 30 November 2021, the Court directed the filing of documents and fixed the hearing of the Application for EXOT for 26 January 2022. On 26 January 2022, the Court allowed the Application for EXOT. As for the Leave Application, the hearing of the same has been fixed for 5 April 2022 and the final case management has been fixed for 21 March 2022.

**40. Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 Insurance Contracts (“the Amendments”)**

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018.

The Company has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. Hence, the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

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

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.

The Amendments provide 2 different approaches for the Company:

- (i) 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 to 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.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of approximately 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 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”):

**40. Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)**

Fair value as at 31 December 2021	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total
Malaysian government securities	1,999,293	-	1,999,293
Malaysian government guaranteed bonds	662,938	-	662,938
Unquoted debt securities	1,433,491	-	1,433,491
Unquoted unit trust in Malaysia	-	1,118,437	1,118,437
Fixed deposits	231,269	-	231,269
Loans and other receivables	80,086	-	80,086
Cash and cash equivalents	349,892	-	349,892
<b>Total financial assets</b>	<b>4,756,969</b>	<b>1,118,437</b>	<b>5,875,406</b>

Fair value as at 31 December 2020	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total
Malaysian government securities	1,731,564	-	1,731,564
Malaysian government guaranteed bonds	719,862	-	719,862
Unquoted debt securities	1,285,836	-	1,285,836
Unquoted unit trust in Malaysia	-	1,284,907	1,284,907
Fixed deposits	178,318	-	178,318
Loans and other receivables	84,305	-	84,305
Cash and cash equivalents	325,251	-	325,251
<b>Total financial assets</b>	<b>4,325,136</b>	<b>1,284,907</b>	<b>5,610,043</b>

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

Other than the financial assets included in the table above and assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

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**40. Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)**

	<b>Financial assets with SPPI cash flows</b>	<b>All other financial assets</b>	<b>Total</b>
<b>31 December 2021</b>			
<b>Changes in fair value during the year</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian government securities	61,950	-	61,950
Malaysian government guaranteed bonds	26,918	-	26,918
Unquoted debt securities	37,767	-	37,767
Unquoted unit trust in Malaysia	-	18,942	18,942
<b>Total financial assets</b>	<b>126,635</b>	<b>18,942</b>	<b>145,577</b>

	<b>Financial assets with SPPI cash flows</b>	<b>All other financial assets</b>	<b>Total</b>
<b>31 December 2020</b>			
<b>Changes in fair value during the year</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian government securities	27,592	-	27,592
Malaysian government guaranteed bonds	13,963	-	13,963
Unquoted debt securities	19,086	-	19,086
Unquoted unit trust in Malaysia	-	15,109	15,109
Negotiable instruments of deposit with licensed financial institutions	(50)	-	(50)
<b>Total financial assets</b>	<b>60,591</b>	<b>15,109</b>	<b>75,700</b>

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40. **Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4 *Insurance Contracts* (continued)**

**31 December 2021**

**Financial assets with SPPI cash flows**

<b>Gross carrying amounts under MFRS MFRS 139 by credit risk rating grades</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BB RM'000</b>	<b>Non- investment grade RM'000</b>	<b>Non- rated RM'000</b>	<b>Past-due but not impaired RM'000</b>	<b>Total RM'000</b>
Investments								
Malaysian government securities	-	-	-	-	-	1,999,293	-	1,999,293
Malaysian government guaranteed bonds	-	-	-	-	-	662,938	-	662,938
Unquoted debt securities	775,374	654,367	-	11,097	-	-	-	1,440,838
Fixed deposits	60,512	170,757	-	-	-	-	-	231,269
Loans and other receivables	-	-	-	-	-	80,086	-	80,086
Cash and cash equivalents	251,933	97,208	668	-	-	83	-	349,892
	<u>1,087,819</u>	<u>922,332</u>	<u>668</u>	<u>11,097</u>	<u>-</u>	<u>2,742,400</u>	<u>-</u>	<u>4,764,316</u>

**Financial assets with SPPI cash flows**

All financial assets with SPPI cash flows of the Company as at 31 December 2021 have low credit risk.

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40. **Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4 *Insurance Contracts* (continued)**

**31 December 2020**

**Financial assets with SPPI cash flows**

<b>Gross carrying amounts under MFRS MFRS 139 by credit risk rating grades</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BBB RM'000</b>	<b>Non- investment grade RM'000</b>	<b>Non- rated RM'000</b>	<b>Past-due but not impaired RM'000</b>	<b>Total RM'000</b>
Investments								
Malaysian government securities	-	-	-	-	-	1,731,564	-	1,731,564
Malaysian government guaranteed bonds	-	-	-	-	-	719,862	-	719,862
Unquoted debt securities	652,822	603,520	25,744	11,097	-	-	-	1,293,183
Fixed deposits	45,757	132,561	-	-	-	-	-	178,318
Loans and other receivables	-	-	-	-	-	84,305	-	84,305
Cash and cash equivalents	273,637	50,618	913	-	-	83	-	325,251
	<u>972,216</u>	<u>786,699</u>	<u>26,657</u>	<u>11,097</u>	<u>-</u>	<u>2,535,814</u>	<u>-</u>	<u>4,332,483</u>

**Financial assets with SPPI cash flows**

All financial assets with SPPI cash flows of the Company as at 31 December 2020 have low credit risk.

**41. SIGNIFICANT EVENT DURING THE YEAR**

In the month of December 2021, torrential rain brought about severe flooding within several states in Malaysia which caused widespread damage to many residential and industrial zones. Following this event, the Company has set up loss reserves as at 31 December 2021 which resulted in an increase in gross claims, reinsurance recoveries and reinstatement premiums that are reflected in Notes 14 and 20 to the financial statements respectively.

The amounts recognised as at 31 December 2021 represent management's estimation of the likely losses to the Company from the recent floods. In making these estimates, management has used the best available information, including estimates performed by the Company's actuaries and claims department, and for estimated reinsurance recoveries from reinsurers, with reference to the reinsurance contracts. The process of estimating loss reserves can be complex and there are inherent uncertainties in the assumptions and judgements made as the floods have happened recently and it may take some time before the flood claims fully develop. Accordingly, actual results could differ from these estimates.

The Company will continue to monitor the flood claims, and estimates may be revised as additional experience or data become available. Any such revisions could result in future changes in the estimates of losses and reinsurance recoverable, and would be reflected in the profit or loss for the periods in which these estimates are changed.



## **Allianz General Insurance Company (Malaysia) Berhad**

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

### **Statement by Directors pursuant to Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 37 to 158 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended.

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

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**Tan Sri Datuk (Dr.) Rafiah Binti Salim**

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**Wang Wee Keong**

Kuala Lumpur,

Date: 21 February 2022

## **Allianz General Insurance Company (Malaysia) Berhad**

Company No. 200601015674 (735426-V)  
(Incorporated in Malaysia)

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

I, **Wang Wee Keong**, the Director primarily responsible for the financial management of Allianz General Insurance Company (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 158 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Wang Wee Keong, I/C No: 720529-06-5249, at Kuala Lumpur in the Federal Territory on 21 February 2022.

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**Wang Wee Keong**

**Before me:**



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA)  
BERHAD**

(Incorporated in Malaysia)  
(Company No. 200601015674 (735426-V))

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

Our opinion

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

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of profit or loss and other 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 37 to 158.

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.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA)  
BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 200601015674 (735426-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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, but does not include the financial statements of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA)  
BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 200601015674 (735426-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA)  
BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 200601015674 (735426-V))

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 PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

LIEW CHI MIN  
03529/09/2022 J  
Chartered Accountant

Kuala Lumpur  
21 February 2022