BUILDING CONFIDENCE & TRUST

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
ANNUAL REPORT 2020

Great Eastern
A member of the OCBC Group

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Norman Ka Cheung Ip (Chairman)

Koh Poh Tiong

Mimi Ho

Khor Hock Seng

Y Bhg Datuk Kamaruddin Bin Taib

Tan Fong Sang

Michael Lai

SENIOR MANAGEMENT TEAM

Chief Executive Officer
Ng Kok Kheng

Chief Financial Officer
Khoo Sook Hooi

Head, Corporate Distribution
Chong Kah Lay

Head, Claims Management
Goh Ching On

Appointed Actuary
Chong Wan Leng

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

REGISTERED OFFICE

Level 20, Menara Great Eastern,
303 Jalan Ampang, 50450 Kuala Lumpur

AUDITORS

Messrs PricewaterhouseCoopers PLT

BOARD OF DIRECTORS

NORMAN KA CHEUNG IP
Chairman

Koh Poh Tiong

Mimi Ho

Khor Hock Seng

Y Bhg Datuk Kamaruddin Bin Taib

Tan Fong Sang

Michael Lai

SENIOR MANAGEMENT TEAM

NG KOK KHENG
Chief Executive Officer

KHOO SOOK HOOI
Chief Financial Officer

CHONG KAH LAY
Head, Corporate Distribution

GOH CHING ON
Head, Claims Management

CHONG WAN LENG
Appointed Actuary

CEO'S STATEMENT

NG KOK KHENG
Chief Executive Officer

"OUR CUSTOMERS ARE OUR TOP PRIORITY"

At GEGM, we remain committed to providing innovative solutions to meet the insurance needs of our customers and to building a collaborative workplace and high performance work culture.

CEO'S STATEMENT

On behalf of the Board of Directors, Management and Staff of Great Eastern General Insurance (Malaysia) Berhad ("GEGM"), I would like to dedicate the opening paragraph of the 2020 Financial Report to the front-line communities, especially the healthcare workers and law enforcement agencies who ensured continuity of medical care and order. I would like to thank the servicing communities as well, including those in the food and delivery sectors, who helped Malaysians continue to stay healthy and nourished during the implementation of movement restrictions as a measure to control the pandemic. Our thoughts go out to all the families who are affected.

COVID-19 brought the world one of the greatest public health crises in our history. The scale of SARS-CoV 2's virulence affected communities and businesses around the world and Malaysia was not spared. The economy experienced contraction and impacted the general insurance and takaful industry where growth is generally tied to the economic performance of the country in the past. However, despite the economy growing at an average rate of 4.9% annually between 2015 and 2019, the conventional general insurance industry has been meagre, averaging an annual growth rate of less than 1% during the same period. The phased liberalisation of motor and fire insurance class, that makes up two-thirds of insurance volume, has partly contributed to this subdued growth.

GEGM has built a reputation for being there for our customers in good times and bad. As we continue battling the pandemic, this is no different. The support we render with the services we provide is critical to the financial safety and soundness of households and businesses in Malaysia. For that, I would like to thank our staff and partners for the continued contribution to our Malaysian community.

We are extending a hand to our customers

Although the Company has weathered through numerous unprecedented challenges in past decades, it had not fully prepared for such a unique event that affected our customers in such an absolute and profound manner, especially by the various imposition of lockdowns restricting personal and economic activities. Relaxation of renewal conditions and delayed instalment payment terms were extended to customers who needed the assistance at no additional cost or penalty. We have also extended COVID-19 coverage for daily cash allowance and pre-hospitalization benefits on admissions to government hospitals for our individual medical policyholders, effectively suspending the general exclusion criteria – that requires quarantine admissions for policyholders to make a claim against Great Eastern's financial assistance fund.

We contributed to the industry's COVID-19 Test Fund (CTF) in 2020 with the initial RM8 million which was later raised to RM10 million in April 2021, directly benefited 42,000 policyholders. GEGM, together with its two sister companies of Great Eastern Life and Great Eastern Takaful, offered (I) RM2 million Financial Assistance to help policyholders and family members infected with COVID-19, (II) Financial Assistance for COVID-19 Cat 3-5 treatment in private healthcare for policyholders, and (III) RM1.5 million fund for Adverse Event Following Immunisation ("AEFI") for both policyholders and non-policyholders.

We are maintaining a resilient performance

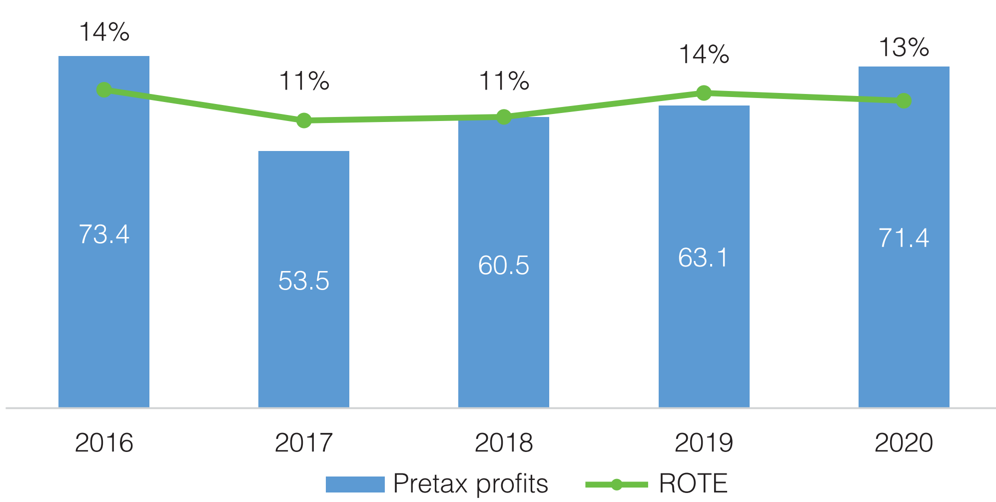
Following a sharp drop during the initial movement control period from March to May, the team managed to catch up and delivered a small growth with an overall gross written premium of RM527 million for the year. GEGM continues to exhibit resilience with its results in spite of two lockdowns imposed in Malaysia, and this is evident as we deliver consistent mid-teens return on tangible equity.

CEO'S STATEMENT

In 2020, we earned RM71 million pre-tax, on a gross written premium of RM527 million vs. RM63 million from RM523 million in 2019, tangibly reflecting our strong underlying fundamentals. Our Fire insurance portfolio continued to grow and remained our largest and most profitable class but with slight increase in loss ratio. A noticeable reduction of vehicles on the road, as well as policyholders' choosing to postpone elective procedures, resulted in improved underwriting performance for both motor and medical class, registering a small positive results for the first time in years. In recognition of the turnaround, GEGM introduced lower motor insurance pricing as permitted within the liberalisation guidelines to benefit its policyholders, and this is in addition to the various medical assistance allowance provided to policyholders infected by SARS-CoV 2.

The Company will continue with a conscious balanced growth strategy to achieve a diversified portfolio and serve a majority of our customers' insurance needs. GEGM is continuously rated among the top three for having the most diversified portfolio in the industry. Our Management and their teams are encouraged to provide insurance solutions to our customers. To do that we will continuously invest in our people and systems, building better competencies and capabilities.

Pre-tax Earnings and Return on Tangible Equity (ROTE) 2016-2020
(MYR in millions, except for ratio data)



We are continuing to grow diversely

We went into a significant partnership with Axiata Digital Capital and commenced our product collaboration at the beginning of 2020. This gives Great Eastern the opportunity to leverage on partner's platforms such as Aspirasi, Boost and Celcom to enable digital and seamless distribution of products via mobile applications. This is no doubt a new experience for both organizations to explore and offer tailored financial solutions at competitive price points, while continuing to serve more customers' protection needs.

CEO'S STATEMENT

This is milestone as it is an important departure from a traditional brick-and-mortar set-up – because digital platform enables enhanced earnings accretion on inherent lighter cost overlays with the right product offered at the right time. We are very confident of the prospects of this partnership in delivering enhanced business benefits and co-brand loyalty to both our customer bases.

Our partnership with Malindo that commenced a year earlier continued its strong performance in the first two months of the year, until the announcement of the first movement control in March of 2020. Air travel was curtailed and this had devastating direct impact on our partner's business. We look forward to the resumption of the economy and reopening of international travel, but are mindful that it will not be the same for a while. We remain committed to Malindo and am glad that we are mutually supportive of each other.

We are serving our customers better, in good times or bad

We have always wanted to be the best in serving our customers, and we always will. Firstly, in the early days of 2020, we rolled out e-Merimen – an online portal enabling our customers to engage claims submissions remote to our physical infrastructures nationwide. This rollout provided a much needed (and seamless) engagement journey for our customers as we entered MCO enforcement in March 2020. The success of this initiative facilitated uninterrupted claims submissions and disbursements, and the unfettered remote access greatly supported our Government's response in containing the pandemic's first outbreak in our country.

Second, with the onset of multi-phase movement controls, GEGM was presented with two immediate challenges. In order to ensure continued servicing capability for our customers in these unprecedented times, we quickly organized work from home arrangements for our People, gradually enhancing this capability by more than 50% in 2020 alone. Retail insurance transactions were already online, ably supporting our agency force in maintaining uninterrupted services to customers. Claims reporting and submission have been fully implemented, and we continued to promote this to both our intermediaries and customers, and I am happy to report that this was very well received.

Third, anticipating some of our retail and commercial customers to be financially affected by the imposition of movement control orders, we extended premium instalment arrangements to continue our support to them in this challenging time. In addition to that, we have accommodated rearrangement of policy covers that enabled material premium reductions. In order to ensure continued medical coverage for our customers, we prioritised maintaining product affordability by unilaterally postponing the repricing of two of our medical products in spite of inflationary pressures we face on our underlying claims. This was coupled with across-the-board reduction in motor premium rates as well. With these response initiatives that I have described, Great Eastern demonstrated that its focus is always being there for our customers.

We value and support our long-standing partnerships with our Agency Force

Although much of the physical activities were curtailed for the year, we were fortunate to be able to celebrate Chinese New Year and roll out the Annual Great Start Event to our Agents before the lockdown. Nevertheless, we continued supporting our Agencies in their training and development through virtual classes and e-Learning modules which, to our surprise, created a more convenient, accessible and comfortable learning environment for them. Technical trainings for GEGM's online platforms such as GI MPOS for targeted agents were introduced as well. These digitalization support, accelerated in our response to the pandemic, are here to stay even after getting over this pandemic.

CEO'S STATEMENT

We continue to invest in People

The insurance industry has usually been resilient in past economic slowdowns. This was evident as we continued to invest in our People, in spite of the challenging times. Hiring and training continued to ensure our talent pool remains competitive. To achieve this objective, we continued to recruit talent across disciplines and industries. Various training initiatives were extended to our more than 400 strong workforce at GEGM, and online assisted training was implemented. We continued to sponsor learning, such as supporting 19 employees on the Advance Insurance Course Learnings, and an additional 29 employees for specialized insurance papers offered by the Malaysian Insurance Institute. Our progress remains unperturbed by movement restrictions as we rapidly deployed virtual classes and examinations internally and with our partners. Additionally, we introduced learning resources such as *Generic Skills and Competencies* modules for all our People which enabled general competency improvements.

GEGM has also partnered with external resource provider to expand the quality of our training initiatives. At *LinkedIn Learning*, our People have been able to benefit greatly from the online learning platform courses developed by subject matter experts ranging from sciences to sociology, covering topics in software, creative art, leadership and business skills.

We also encouraged adapting to lifestyle changes impacted by having to work from home. LIFE Programme, a voluntary health and wellness programme which promotes healthy living via yearly Health Screenings and rewards our People on improvement in health conditions, continues to be highly encouraged and promoted to the staff. The programme runs regular activities such as Health Seminars, Fitness Sessions and Health and Wellness Campaigns as well. In addition to that, GEGM organized the Biggest Loser and the Million Steps Campaign. A total of 16 teams participated in the Biggest Loser with the best duo team losing a total of 20kg throughout the campaign duration. Our individual top winner in the Million Steps Campaign registered more than 4 million steps in a 14-week period, with winners and participants receiving attractive prices from both Campaigns.

We support the communities we serve

Not forgetting our responsibility to our fellow citizens and the communities we serve, GEGM continues to support Cancerlink Foundation, a non-profit organization providing emotional and practical support through focused Support Care Programmes and Services that is accessible nationwide. Although our physical involvement in our causes were stymied by the movement control, we continued to support the "Pertubuhan Kebajikan Orang Tua Cacat dan Kurang Upaya Taman Connaught", a charity centre focused on socially vulnerable seniors from general hospitals abandoned by their families, and those who are disabled or suffering from diseases such as Alzheimer. GEGM has also continued extending aid to Hospis Malaysia to provide palliative care to patients that are living with life-limiting illnesses such as cancer, organ failure, HIV/AIDs and degenerative neurological conditions.

CEO'S STATEMENT

Outlook for the Insurance Industry going forward

The insurance industry, following an initial drop in 2020, will invariably rebound steadily for as long as economic conditions continue to revert back to a semblance of normality. This is incumbent on a successful vaccination campaign in our country, predicated on our vigilance on SARS-CoV 2 variant development, coupled with a coherent national public health policy response.

However, lasting changes have already taken place, and the industry has shown resilience and adaptability to changing operating environment, as it has done so in past crises. The industry is able to confront continuing challenges presented by the pandemic, which I expect will continue to evolve and have direct impact on us or otherwise. Severe events and crises have always strengthened the insurance industry as they weather through the storm, or in this case the pandemic, with bolstered capital and stronger risk management introduced. At the same time, new opportunities are presenting themselves, where events such as terrorism or cybersecurity threats – which were once limited or uncovered – are today's common insurance offerings from increasing number of insurance players. We foresee some form of pandemic covers to be extended by the insurance industry.

Pandemic related covers have started to emerge, and this is already noticeable in areas such as travel and health insurance. No doubt pandemic covers will expand to other areas of the insurance portfolios, with the industry adapting and learning from this real experience. In other parts of the world, high insurance claim exposure and payouts due to business interruption following pandemic-related trigger events created immediate vacuum for such covers. Even though the Malaysian insurance industry was spared of such claims (due to the strictly-worded nature of cover and disciplined practice), such covers had dried up due to lack of support. I expect to see a return of pandemic business interruption covers to the market, albeit an adapted form with clearer worded trigger conditions.

The Company, having gone through the past experiences, is adapting and transforming our operating and business models. We will continue to provide innovative solutions to serve our partners and customers. We remain confident in our fundamentals and with focused execution – coupled with effective risk management – we are confident in achieving sustainable growth and delivering strong performance.

Sincerely yours,

NG KOK KHENG
Chief Executive Officer

HEAD OFFICE AND BRANCH NETWORK

HEAD OFFICE

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Asst. Vice President: Seah Chee Kiat (KL 1)
Asst. Vice President: Chow Chien Keong (KL2)

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SERVICING OFFICE

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FINANCIAL HIGHLIGHTS

	RM million				
	2016	2017	2018	2019	2020
Gross Premium Income	430.21	450.52	498.61	523.36	527.04
Total Assets At Market Value:					
General Insurance	995.69	993.34	980.34	1,070.84	1,115.81
Shareholders' Fund	102.32	107.23	108.93	113.30	116.95
Underwriting Profit (before tax)	37.13	18.74	12.28	20.74	31.17
Operating Profit (after tax)	54.63	45.71	43.48	59.38	55.37
Total Assets	**1,098**	**1,101**	**1,089**	**1,184**	**1,233**

ABOUT GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD

Great Eastern General Insurance (Malaysia) Berhad (GEGM) started operations in Kuala Lumpur in 1954 as a branch of Great Eastern General Insurance Limited, Singapore. The Company's early focus was in general insurance but it expanded its life insurance business in 1963, making GEGM one of the earliest composite insurers in Malaysia.

In 1998, the branch operations were restructured to become a locally incorporated subsidiary of Great Eastern General Insurance Limited, Singapore to comply with the requirements of the Malaysian Insurance Act 1996.

By 2000, GEGM was one of the largest providers of life, health and general insurance in Malaysia. With the merger of Great Eastern General Insurance Limited, Singapore and Great Eastern Holdings Limited, Singapore in December 2000, GEGM's life insurance business was transferred to Great Eastern Life Assurance (Malaysia) Berhad in September 2001. Arising from this development, GEGM is now a pure general insurance operator that spearheads the Great Eastern Group's development and expansion in the general insurance sector.

GEGM had officially acquired the general insurance business of Tahan Insurance Malaysia Berhad ("Tahan") with effect from 1 January 2011. Following the acquisition, Tahan's entire general insurance business was transferred to GEGM.

As at 31 December 2020, GEGM has total assets in excess of RM 1,233 million with a paid-up capital of RM 100 million and a network of 13 branches with more than 3,000 agents.

BUILDING CONFIDENCE AND TRUST

At GEGM, building confidence and trust has always been the core. We put customers first by treating them as partners, fostering trust and respect through our unwavering commitment and uncompromising quality of service.

Trust comes with confidence. Our clients enjoy this confidence through our established corporate reputation and our affiliation with the Great Eastern and OCBC Group. With a legacy of integrity and professionalism, as well as the financial security and stability of the Group, GEGM is well positioned to continue its growth and expansion in years to come.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company is underwriting of all classes of general insurance business.

RESULTS

	RM
Net profit for the year	55,372,835

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

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

SIGNIFICANT EVENTS

We view the COVID-19 pandemic as an evolving situation with continued uncertainties that could impact the performance of the Company. There are still many unknowns surrounding the pandemic and the timing of its eradication remains uncertain. The impact to our business operations would hinge on each government's response to manage the health and economic effects of the pandemic.

DIVIDENDS

The amounts of dividend paid by the Company since 31 December 2019 were as follows:

	RM
In respect of the financial year ended 31 December 2019 as reported in the Directors' report of that year:	
Final single-tier dividend of RM0.40 per ordinary share on 100,000,000 ordinary shares paid on 15 May 2020	40,000,000

At the forthcoming Annual General Meeting ("AGM") of the Company, a final single-tier dividend in respect of the financial year ended 31 December 2020 of RM0.55 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM55,000,000 will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as appropriation of retained earnings in the next financial year ending 31 December 2021.

DIRECTORS' REPORT

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Mr Norman Ka Cheung Ip (Chairman)
Mr Koh Poh Tiong
Ms Mimi Sze Ho (Appointed on 17 February 2020)
Mr Khor Hock Seng
Y Bhg Datuk Kamaruddin bin Taib
Mdm Tan Fong Sang
Mr Lai Chin Tak
Y Bhg Dato' Yeoh Beow Tit (Stepped down on 20 March 2020)

In accordance with Clause 74 of the Company's Constitution, Mr Norman Ka Cheung Ip and Datuk Kamaruddin bin Taib would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Notes 22(b) and 29(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed under Fifth Schedule, Part 1 Section 3 of the Companies Act, 2016.

A Director and Officer's Liability Insurance has been entered into by the Company for the financial year ended 31 December 2020 pursuant to Section 289 of the Companies Act, 2016. The cost of insurance effected for the Directors and officers of the Company amounted to RM30,851.

DIRECTORS' REPORT

ULTIMATE HOLDING COMPANY

The Directors regard Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore, as the ultimate holding company of the Company.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, OCBC Bank during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			
	1.1.2020	Acquired	Disposed	31.12.2020
a) Ordinary shares of OCBC Bank				
Mr Norman Ka Cheung Ip	4,493	92	-	4,585
Mr Khor Hock Seng	458,274	93,857	(10,000)	542,131
Mdm Tan Fong Sang	50,329	1,025	-	51,354
Ms Mimi Sze Ho	2,665	55	-	2,720

	Shareholdings in which Directors are deemed to have an interest			
	1.1.2020	Granted	Vested	31.12.2020
Mr Khor Hock Seng	198,978	127,306	(82,832)	243,452(1)
Ms Mimi Sze Ho	10,984	224	-	11,208
Mr Norman Ka Cheung Ip	-	10,204	-	10,204(2)

Notes:

(1) Deemed interest arising from OCBC Deferred Share Plan is 243,452.
(2) Deemed interest arising from spouse is 10,204.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

	Options held by Directors in their own name					
	Expiry date	Exercise price S$	1.1.2020	Granted	Exercised	31.12.2020
b) Options to subscribe for ordinary shares of OCBC Bank						
Mr Khor Hock Seng	22.3.2027	9.598	327,082	-	-	327,082
	21.3.2028	13.340	122,135	-	-	122,135
Mdm Tan Fong Sang	13.3.2021	9.093	9,113	-	-	9,113
	13.3.2022	8.556	10,079	-	-	10,079

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

CORPORATE GOVERNANCE DISCLOSURES

The Company has taken concerted steps to comply with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016 (the "CG PD"). The Company is committed to the standards and practices prescribed in this policy document.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and statement of profit or loss of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

   (ii) the values attributed to current assets in the financial statements of the Company misleading.

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

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

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

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

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

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(g) Before the statement of financial position and statement of profit or loss of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for insurers issued by BNM.

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

SUBSEQUENT EVENT

There were no subsequent events after the financial year.

DIRECTORS' REPORT

AUDITORS

The auditors, PricewaterhouseCoopers PLT, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 22 to the financial statements.

There was no indemnity given to, or insurance effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 March 2021.

Tan Fong Sang

Datuk Kamaruddin bin Taib

DIRECTORS' REPORT

CORPORATE GOVERNANCE DISCLOSURES *(as referred to in the Directors' Report)*

The Board of Directors (the "Board") and Management of Great Eastern General Insurance (Malaysia) Berhad (the "Company") place great importance on high standards of corporate governance and are committed to upholding values of integrity, honesty and proper corporate conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices as guided by the Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016 (the "CG PD") and is continually enhancing its standards of the overall governance.

THE BOARD'S CONDUCT OF AFFAIRS

Board's responsibilities and accountability

The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter include the following:

(a) reviewing and approving the overall business strategy as well as the organisation structure of the Company as developed and recommended by the Management;

(b) overseeing and approving the risk appetite of the Company that is consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;

(c) ensuring that the decisions and investments are consistent with the long-term strategic goals of the Company and reasonable standards of fair dealing with all stakeholders;

(d) ensuring that interests of shareholders, policyholders and other stakeholders are taken into account in managing the Company's business;

(e) overseeing through the Board Nominations and Remuneration Committee, the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), Senior Officers[1] and Non-Senior Officers[2], such that the Board is satisfied with their collective competence to effectively lead the operations of the Company;

(f) ensuring that the necessary human resources are in place for the Company to achieve its objectives;

[1] Senior Officers of the Company referred throughout this Corporate Governance Disclosures are the Senior Management Team and such other executives as the Board and/or regulator should determine.

[2] Non-Senior Officers of the Company referred throughout this Corporate Governance Disclosures are officers with rank of Senior Vice Presidents and above and officers who are categorised as Other Material Risk Takers.

DIRECTORS' REPORT

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board's responsibilities and accountability (cont'd.)

(g) overseeing the implementation of the Company's governance and internal control frameworks, and periodically reviewing the frameworks to ensure they remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

(h) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;

(i) overseeing through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures, and system of internal controls;

(j) overseeing, through the Board Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;

(k) reviewing and approving any transaction for the acquisition or disposal of assets that is material to the Company;

(l) establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;

(m) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

(n) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and to maintain or preserve critical operations and services when they come under stress; and

(o) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board's responsibilities and accountability (cont'd.)

Board Approval

The Company has internal guidelines to provide guidance on matters that require Board approval. Matters requiring Board approval include but are not limited to the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, dividend policy and dividend declaration, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below the threshold limits to Board committees ("Board Committees") and Management to optimise operational efficiency.

Board Committees

The Board has established a number of Board Committees to assist it in carrying out more effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved terms of reference.

The Company's Board Committees, in carrying out their responsibilities in accordance with their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Minutes of Board Committees' meetings, which provide a fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained and circulated to the Board. The composition and details of principal roles and responsibilities of Board Committees are set out in relevant sections on the respective Board Committees herein.

Meetings and Directors' Attendance

The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals presented by the Management. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board guides Management with strategic directions to achieve its stated goals and Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2020, the Board convened six scheduled and three ad hoc Board Meetings.

DIRECTORS' REPORT

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board's responsibilities and accountability (cont'd.)

Meetings and Directors' Attendance (cont'd.)

Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. Directors are equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials. Directors who are unable to attend any Board or Board Committee meeting would be able to access all meeting papers and materials for discussion at that meeting.

On 18 March 2020, the Malaysian Government enforced the Movement Control Order ("MCO") to curb the spread of Covid-19 pandemic. The MCO placed several restrictions including movement of persons and gathering for business, cultural, religious, sports or social purposes. The Company, identified as a provider of essential services, was allowed to continue its operation. Since the inception of the MCO and throughout the pandemic, meetings of the Board and Board Committees were held virtually via Webex with the Directors' active participation to stay relevant and be updated.

All Directors have complied with the minimum requirement of 75% attendance at Board meetings as stipulated in the CG PD and Board Charter.

The number of meetings of the Board and Board Committees held in 2020 and the attendance of the Directors at those meetings are tabulated below:

Directors' attendance at Board and Board Committee meetings in 2020

Name of Director	Board				Board Risk Management Committee	
	No. of Meetings				No. of Meetings	
	Scheduled		Ad hoc		Scheduled	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip(1)	6	6	3	3	1	1
Mr Koh Poh Tiong	6	6	3	3	-	-
Ms Mimi Sze Ho(2)	5	5	3	3	4	4
Mr Khor Hock Seng	6	6	3	3	-	-
Y Bhg Datuk Kamaruddin bin Taib	6	6	3	3	5	5
Y Bhg Dato' Yeoh Beow Tit(3)	3	3	-	-	2	2
Mdm Tan Fong Sang	6	6	3	3	-	-
Mr Lai Chin Tak(4)	6	6	3	3	4	4

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board's responsibilities and accountability (cont'd.)

Directors' attendance at Board and Board Committee meetings in 2020 (cont'd.)

Name of Director	Board Nomination and Remuneration Committee				Board Audit Committee			
	No. of Meetings				No. of Meetings			
	Scheduled		Ad hoc		Scheduled		Ad hoc	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip[(1)]	5	5	1	1	4	4	3	3
Mr Koh Poh Tiong	5	4	1	1	-	-	-	-
Ms Mimi Sze Ho[(2)]	-	-	-	-	3	3	3	3
Mr Khor Hock Seng	-	-	-	-	-	-	-	-
Y Bhg Datuk Kamaruddin bin Taib	5	5	1	1	-	-	-	-
Y Bhg Dato' Yeoh Beow Tit[(3)]	-	-	-	-	1	1	-	-
Mdm Tan Fong Sang	-	-	-	-	4	4	3	3
Mr Lai Chin Tak[(4)]	-	-	-	-	-	-	-	-

Notes:

(1) Relinquished his position as Member of the Board Risk Management Committee on 28 February 2020.
(2) Appointed as Director on 17 February 2020 and Member of the Board Audit Committee and Board Risk Management Committee on 1 March 2020.
(3) Stepped down as Director and relinquished his position as Member of the Board Audit Committee and Board Risk Management Committee on 20 March 2020.
(4) Appointed as Member of the Board Risk Management Committee on 5 February 2020.
(-) Not applicable to the Non-Member of the respective Board Committees.

DIRECTORS' REPORT

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board's responsibilities and accountability (cont'd.)

Directors' attendance at Board and Board Committee meetings in 2020 (cont'd.)

Directors' attendance at the Annual General Meeting of the Company is not included in the above table.

There were 2 Joint Board Audit Committee – Board Risk Management Committee meetings held in 2020. Directors' attendance at these meetings is not included in the above table.

The number of meetings indicated in "Held" above reflects the number of meetings held during the time the respective Directors held office.

Access to Information

Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. For matters requiring approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The Senior Officers who are responsible to provide additional information and insight or provide clarifications to queries raised are usually invited to the meeting for discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board and Board Committees' members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

Directors have separate and independent access to the Company Secretary and to Senior Officers of the Company at all times.

The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good and timely information flows within the Board and Board Committees and between Senior Officers and Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors, as required. The appointment and removal of the Company Secretary is considered to be a matter for the Board as a whole.

The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and Board Committees may obtain professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.

DIRECTORS' REPORT

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's present Board of seven Directors comprises a Non-Executive Chairman, Mr Norman Ka Cheung Ip, five Non-Executive Directors and one Executive Director. The five Non-Executive Directors are Mr Koh Poh Tiong, Ms Mimi Sze Ho, Y Bhg Datuk Kamaruddin bin Taib, Mdm Tan Fong Sang and Mr Lai Chin Tak. Mr Khor Hock Seng is the Executive Director.

Y Bhg Dato' Yeoh Beow Tit stepped down from the Board on 20 March 2020.

All appointments and re-appointments of Directors of the Company are subject to the approval of BNM.

Key Information on Directors

Key information on each Director's professional qualifications and background is set out under the sections "Board of Directors" and "Further Information on Directors" of the Company's Annual Report. The Directors' membership in various Board Committees is also set out herein. Information on their shareholdings in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2020 ("FY2020"). The Directors do not hold any shares in the Company or its penultimate holding company, Great Eastern Holdings Limited ("GEH").

Board Composition and Independence

The Company determines the independence of its Directors in accordance with requirements of the CG PD. Under the CG PD, an Independent Director must be independent in character and judgment, and free from associations or circumstances that may impair the exercise of his/her independent judgment. An Independent Director of the Company must be one who himself/herself or any person linked to him/her has not been an executive of the Company in the last two years, is not a substantial shareholder of the Company or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates within the last two years; and has not served for more than nine years on the Board[3].

The CG PD emphasizes on the requirement of having a majority of Independent Directors at all times.

[3] CG PD provides for tenure limits of independent directors to generally not exceed nine years.

DIRECTORS' REPORT

BOARD COMPOSITION AND GUIDANCE (CONT'D.)

Board Composition and Independence (cont'd.)

The Board Nominations and Remuneration Committee assesses the independence of Directors pursuant to the CG PD requirements annually and has determined that the current Board, Mr Norman Ka Cheung Ip, Mr Koh Poh Tiong, Ms Mimi Sze Ho, Y Bhg Datuk Kamaruddin bin Taib, Mdm Tan Fong Sang and Mr Lai Chin Tak, complies with the CG PD requirements on Board independence. With six out of seven Directors being independent, the Company's Board comprises a majority of Independent Directors.

Mr Khor Hock Seng is the Executive Director as he is the Group Chief Executive Officer of GEH.

The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board and Board Committees are of an appropriate size to facilitate effective decision making, taking into account the scope and nature of the operations of the Company.

Further, the Board Nominations and Remuneration Committee also assesses the diversity of its members' competency profiles, and determines the collective skills required to discharge its responsibilities effectively.

The Company's Board members have diverse backgrounds, expertise and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, information technology, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for Board Committees to perform their respective roles and responsibilities.

With the knowledge, objectivity and balanced views contributed by the Non-Executive Directors, the Board constructively challenges and enhances proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.

DIRECTORS' REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer ("CEO") are not related to each other. The roles of the Chairman, Mr Norman Ka Cheung Ip, and the CEO, Mr Ng Kok Kheng, are distinct and separate, with clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making.

The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving agendas of Board meetings, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between the Board and Management, and promotes high standards of corporate governance with the full support of other Directors, the Company Secretary and Management.

The CEO manages the Company and oversees the Company's operations and implementation of the Company's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company's businesses, including implementing the Board's decisions, is carried out with the assistance of the Senior Officers of the Company. Collectively, they are responsible for the day-to-day operations and administration of the Company, ensuring, inter alia, operational and organisational efficiency, profitable performance, regulatory compliance, good corporate governance and effective risk management amidst the restrictive standard operating procedures observed during the Covid-19 pandemic.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

Under the CG PD, the Board Nominations and Remuneration Committee is required to comprise at least three Non-Executive Directors, with majority of them being Independent Directors. The Board Nominations and Remuneration Committee must be chaired by an Independent Director, who is not the Chairman of the Company.

The Board Nominations and Remuneration Committee comprises the following Directors:

- Mr Koh Poh Tiong, Chairman
- Mr Norman Ka Cheung Ip, Member
- Y Bhg Datuk Kamaruddin bin Taib, Member

All the members (including the Chairman) are Independent Directors.

The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. The Board Nominations and Remuneration Committee reviews the Board and Board Committee compositions annually. It is responsible for identifying candidates for directorship, reviewing and recommending nominations of Directors on the Board and Board Committees. It also reviews nominations and dismissals or resignations of Senior Officers and Non-Senior Officers positions in the Company.

The Board Nominations and Remuneration Committee held a total of six meetings in 2020.

DIRECTORS' REPORT

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Process for Appointment of New Directors, Re-appointment of Existing Directors

The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment and re-appointment of Directors to the Board. Proposals for the appointment of new Directors and re-appointment of existing Directors are reviewed by the Board Nominations and Remuneration Committee. For appointment of new Directors, the Board Nominations and Remuneration Committee meets with the candidates to assess their suitability and commitment. Amongst others, the Board Nominations and Remuneration Committee takes into consideration the candidate's professional qualifications, integrity, financial and commercial business experience, and expertise relevant to the Company, as well as his/her potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board. Competent individuals are nominated for the Board's consideration, before submitting the application to BNM for approval.

In addition, the Board Nominations and Remuneration Committee further determines the proposed candidate's independence status under the CG PD and ensures that the proposed candidate will satisfy the criteria under the CG PD in that his/her appointment or re-appointment will not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is a fit and proper person for the office, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Board Nominations and Remuneration Committee. Such reviews are also conducted on an annual basis to ensure that each Director remains qualified for the office based on the above criteria.

The Directors of the Company have confirmed that they are not active politicians as defined in the CG PD. Further, they have no prior involvement as an external auditor for the Company; nor served in the capacity of an officer who is directly involved in the Company's engagement or partner of the external auditor firm; nor served as an auditor of the Company for the past 2 years. The Directors provided such confirmation to BNM prior to their respective appointment and re-appointment as Director.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. Directors provide declarations of changes on their other appointments which are disseminated to all Board members. The Company has established guidelines on meeting attendance and the extent of other appointments outside of the Company that a Director may assume. Each of the Directors' listed company directorships and principal commitments are provided under the section "Further Information on Directors" of this Annual Report[4]. The Board Nominations and Remuneration Committee annually assesses each Director's attendance record and meeting participation to determine if a Director is able to and has been diligently discharging his/her duties as a Director of the Company.

[4] Available at the Company's website at https://www.greateasterngeneral.com/my/en/index.html.

DIRECTORS' REPORT

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Re-election and Re-appointment of Directors at Annual General Meeting

Directors of the Company are required to retire from office at regular intervals, at least once every three years. At each Annual General Meeting of the Company, one-third of the Directors, being those who have served longest in office since their first re-election, are required to retire by rotation in accordance with the Company's Constitution. Retiring Directors are eligible for re-election.

Mr Koh Poh Tiong and Mr Khor Hock Seng retired by rotation pursuant to Clause 74 of the Company's Constitution and were re-elected to the Board at the Company's Annual General Meeting on 6 May 2020.

Newly appointed Directors will hold office until the next Annual General Meeting and, if eligible, can stand for re-appointment.

Ms Mimi Sze Ho was appointed to the Board on 17 February 2020. She retired pursuant to Clause 78 of the Company's Constitution and was re-appointed to the Board at the Company's Annual General Meeting on 6 May 2020.

Board Orientation and Training

Upon the appointment of a new Director, a formal appointment letter will be issued together with a Director's Orientation Kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Senior Officers will conduct presentation sessions for new Directors on the Company's principal activities, business operations, staff strengths, and applicable rules and regulations. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Company, the insurance business and practices and the Company's financial statements.

The Board Nominations and Remuneration Committee ensures there is a professional development programme for all Directors, so that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Board Nominations and Remuneration facilitates attendance of the newly appointed Directors in completing the mandatory "Financial Institutions Directors' Education ("FIDE") Core Programme within the year from their date of appointment. Industry-related and topical articles are regularly circulated to Directors as part of the Directors' continuous development programme. The Board Nominations and Remuneration Committee also encourages the Directors to be continually updated on developments affecting the insurance industry by offering them attendance at appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE FORUM, at their convenience. The Company has dedicated sufficient resources towards the on-going development of its directors and also maintains formal records of the training and development received by its Directors.

DIRECTORS' REPORT

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Board Orientation and Training (cont'd.)

From time to time, in collaboration with the Board Nominations and Remuneration Committee, the Board Risk Management Committee organises Board Educational Series, with briefings or presentations by external professionals, consultants or Management staff on topics relevant to the insurance industry and provides updates on developments in the industry locally.

During the financial year, the Directors, collectively or on their own, attended the following seminars, courses and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, which were mostly conducted online/virtual:

- BNM-FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia.
- Board Educational Series:
    - Anti-Money Laundering & Countering Financing of Terrorism - Regulatory Development and Internal Process
    - Cyber Security in Year 2020
    - Cyber Security Road Map Update and Understanding of Functions Implemented
    - Guidelines on Adequate Procedures Gap Analysis Report and Corruption Risk Management
    - Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers (Batch 3)
    - Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers (Batch 4)
    - Implementation of MFRS 17 Insurance Contracts: Technical Accounting Papers (Batch 5)
    - Sustainability - Getting the Board on Board
    - The Future in Question: Economic Cycles, Technology and Cyber Security
- FIDE ICLIF: Understanding the Evolving Cybersecurity Roadmap
- FIDE Core Programme: Module A
- FIDE Core Programme: Module B
- FIDE Simulation Exercise
- Webinar:
    - Challenging Times: What Role Must the Board Play?
    - Climate Action: The Board's Leadership in Greening the Financial Sector
    - Covid-19 and Current Economic Reality: Implications for Financial Stability
    - Digital Financial Institutions Series: A European Perspective - Fidor's Bank's Digital Banking Experience
    - Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses
    - Green Fintech: Ping An's Use of Technology to Support Green Finance Objectives
    - Outthink the Competition: Excelling in a Post Covid-19 World
    - Central Banks: Navigating in Turbulent Times
    - ESG Trends & Regulatory Developments
    - Board & Executive Pay During and Post Covid-19
    - Risks: A Fresh Look from the Board's Perspective
    - Banking on Governance, Insuring Sustainability
    - Managing Politic Risks
    - The Cooler Earth Sustainability Summit 2020 – Recovery, Resilience & Responsibility

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Board Performance

The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year.

An external party is engaged to facilitate the Board Evaluation process and to provide the Board with an independent perspective of the Board's performance, including benchmarks against peer boards. In 2020, the Board Nominations and Remuneration Committee engaged Aon Hewitt Malaysia Sdn Bhd ("Aon") to facilitate the Board Evaluation process. Aon and its consultants are independent and not related to the Company or its Directors. The 2020 Board Evaluation questionnaire focused on areas such as competency and independence, information quality and timeliness, conduct of meetings, environmental, social and corporate governance, managing performance, succession planning, Directors development, internal controls and risk management as well as Board Committees.

The purpose of the evaluation is to improve the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.

Conflicts of Interest

The Company has implemented a Directors' Conflict of Interest ("COI") Guide which sets out the procedures to address actual and potential conflicts of interest of the Directors. The COI Guide serves to safeguard against the risk that a Director's decision may be unduly influenced by other secondary interests, instead of the interests of the Company. Pursuant to the COI Guide, the Directors of the Company shall disclose to the Board the nature and extent of such Director's interest whether directly or indirectly, in a material transaction or material arrangement with the Company.

Directors with conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

DIRECTORS' REPORT

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Appointment and Performance of Senior Officers and Non-Senior Officers

The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversees the appointment and succession planning of the Senior Officers and Non-Senior Officers of the Company.

Additionally, it is responsible to oversee performance evaluation of the Senior Officers and Non-Senior Officers. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the Senior Officers and Non-Senior Officers would be made in consultation with the input from the Board Audit Committee and Board Risk Management Committee.

Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel.

In considering its recommendations to the Board and in approving remuneration, the Board Nominations and Remuneration Committee ensures that remuneration policies are in line with the Company's strategic objectives and corporate values, and do not give rise to conflicts between objectives of the Company and interests of individual Directors, Senior Officers and Non-Senior Officers.

The Board Nominations and Remuneration Committee is responsible to recommend to the Board, Policy on Remuneration for Directors, CEO, Senior Officers and Non-Senior Officers; and its review thereof from time to time. This will ensure that the Company remains competitive along with the industry and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the remuneration packages are not excessive, and consistent with the prudent management of the Company's affairs.

The Board Nominations and Remuneration Committee is also tasked to review and recommend to the Board the remuneration framework as well as the specific remuneration for each Director, Senior Officers and Non-Senior Officers. No Director is involved in the deliberations of remuneration to be granted to himself/herself.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration of Non-Executive Directors

The Non-Executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and frequency of meetings, the respective responsibilities of Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors.

The Board Nominations and Remuneration Committee performs an annual review of the Directors' fee structure and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The annual Directors' fees proposed by the Board are subject to the shareholders' approval at the Company's Annual General Meeting.

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same revised fee structure that commenced from 1 November 2019, for computing the fee for each Non-Executive Director for the FY2020 (in the table set out below):

		Annual Retainer
Board	Chairman	RM130,000*
	Member	RM65,000*
Board Committees	Chairman: • Board Audit Committee • Board Risk Management Committee	RM50,900*
	Member: • Board Audit Committee • Board Risk Management Committee	RM25,400*
	Chairman: • Board Nominations and Remuneration Committee	RM45,000*
	Member: • Board Nominations and Remuneration Committee	RM27,000*
Attendance fees per Board or Board Committee meeting		RM2,600

* *Common Directors who serve on the board of the licensed affiliated companies in Malaysia will be remunerated at one-third of the Company's annual retainer fee basis.*

DIRECTORS' REPORT

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration policy in respect of Senior Officers and Non-Senior Officers

The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.

The remuneration of the CEO and the respective Senior Officers and Non-Senior Officers of the Company are reviewed annually by the Board Nominations and Remuneration Committee, based on the overall remuneration framework approved by the Board. Currently, there are six identified Senior Officers and no identified Non-Senior Officer under the purview of Board Nominations and Remuneration Committee.

Staff engaged in all control functions including Compliance, Risk Management, Actuarial Valuation, Audit and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

Pursuant to the CG PD, Other Material Risk Takers is defined to include an officer who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile. There are no identified Other Material Risk Takers for FY2020.

In the annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration commensurates with individual performance and contribution. The Board Nominations and Remuneration Committee also takes into account the time horizon of risks, such as ensuring that all variable compensation payments shall not be fully paid over short periods when risks are realised over longer periods.

As part of the Company's continuous efforts to create sustainable value for stakeholders through broad-based growth across its core markets, delivering sustained earnings, driving core competencies of disciplined risk management, prudent investment and continued upgrading of technology and people, and ensuring sustainable business practices, the performance measures set for each business units embeds these objectives, which match their functions and are consistent with the Company's risk appetite. In determining the remuneration of Senior Officers and Non-Senior Officers, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing their overall performance, in addition to their achievement in business and operations performance. Senior Officers and Non-Senior Officers are remunerated based on the achievements of their own performance measures, relevant departmental risk control KPI and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration policy in respect of Senior Officers and Non-Senior Officers (cont'd.)

To ensure that its remuneration packages are competitive, the Company regularly reviews salary levels and benefits packages based on market data provided by independent and credible remuneration consultants who conduct surveys on comparative groups in the financial sector. The determination of the Company's variable compensation pool is fully discretionary and factors taken into consideration include financial and non-financial metrics such as the Company's performance, audit ratings, risk indicators and compliance issues, market condition and competitive market practices.

The total compensation packages for Senior Officers and Non-Senior Officers comprise basic salary, various performance-related variable compensation, allowances, deferred share awards and benefits.

The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Board Nominations and Remuneration Committee and the Board. Senior Officers are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

The annual budget for salary increment and performance-related variable compensation are reviewed and endorsed by the Board Nominations and Remuneration Committee and is submitted to the Board for approval.

As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an on-going basis to further ensure that decisions made are conducive for sustained business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

Senior Officers and Non-Senior Officers through annual self-declaration commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

In collaboration with the Board Nominations and Remuneration Committee, the Company has designed and developed its Performance Assessment and Remuneration Framework, which takes into consideration the prevailing regulatory requirements, and with the input from the Senior Officers. The Performance Assessment and Remuneration Framework is independently reviewed by the Board Audit Committee and Board Risk Management Committee. The Board Risk Management Committee may with the assistance of Risk Management Department assess how the Performance Assessment and Remuneration Framework affects the Company's risk profile.

DIRECTORS' REPORT

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration policy in respect of Senior Officers and Non-Senior Officers (cont'd.)

The Company's variable compensation varies in line with its financial performance and corporate governance requirements.

The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, grants share awards pursuant to the OCBC Deferred Share Plan to selected senior executives of the Company. The Company has ceased granting OCBC share options to eligible executives with effect from 2019 for FY2018 performance. All grants and awards are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Company's risk profile/rating.

Disclosure of Directors' and CEO Remuneration

The total Directors' Remuneration from the Company in respect of FY2020 is shown under Note 22 in the Company's Financial Statements. Fees for Non-Executive Directors totaling RM1,004,301.66 in respect of FY2020 will be approved at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2020 are disclosed under Note 22 in the Company's Financial Statements.

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Remuneration policy in respect of Senior Officers and Non-Senior Officers (cont'd.)

Disclosure of Senior Officers and Non-Senior Officers

The details of the remuneration granted to the eligible Senior Officers and Non-Senior Officers are disclosed in the table below:

Total value of remuneration awards for FY2020:

	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration				
- Cash-based	6	2,775,900	-	-
- Other	1	24,600	-	-
Variable remuneration				
- Cash-based	6	1,022,043.00	-	-
- Share and share-linked instruments	5	17,816.60	7	19,747 units (Deferred Share, Share Option and Employee Share Purchase Plan)
- Other	6	642,907.56	-	-

DIRECTORS' REPORT

BOARD AUDIT COMMITTEE

Under the CG PD, the Board Audit Committee is required to comprise at least three Non-Executive Directors, with majority of them being Independent Directors. The Board Audit Committee must be chaired by an Independent Director who is not the Chairman of the Company.

The Board Audit Committee comprises the following Directors:

- Mdm Tan Fong Sang, Chairman
- Mr Norman Ka Cheung Ip, Member
- Ms Mimi Sze Ho, Member

All the Members (including the Chairman) are Independent Directors.

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2020 included the following:

(a) Reviewed with the Internal Auditors –

(i) their audit plan, their evaluation of the system of internal controls and their audit reports;

(ii) the scope and results of the internal audits; and

(iii) the assistance given by the officers of the Company to the internal auditors.

(b) Reviewed with the External Auditors –

(i) their audit plan prior to the commencement of the annual audit;

(ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;

(iii) the scope and results of the audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them (if any);

(iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Officers;

(v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and

(vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.

BOARD AUDIT COMMITTEE (CONT'D.)

(c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.

(d) Reviewed the effectiveness of the outsourced internal audit function of the Company.

(e) Maintained an appropriate relationship with both the internal and external auditors, and met them in separate sessions without the presence of the Management to consider matters which may be raised privately.

(f) Met with the Management without the presence of the internal auditors to consider matters which may be raised privately.

(g) Recommended the appointment of the new external auditor to the Board.

(h) Recommended the remuneration and terms of engagement of the existing external auditor to the Board.

(i) Reviewed and updated the Board on all related-party transactions.

(j) Monitored compliance with the Directors' Conflict of Interest Guide.

The Board Audit Committee has explicit authority to investigate any matters within its terms of reference, has full co-operation of and access to Management, and has resources to enable it to discharge its functions properly. The Board Audit Committee has full discretion to invite any Director or Senior Officer to attend its meetings.

The auditors, both internal and external, have unrestricted access to the Board Audit Committee, and to information and such persons within the Company as necessary to conduct the audit.

The Company has instituted a whistle-blowing policy whereby employees of the Company and external parties may raise genuine concerns about possible improprieties in matters of financial reporting or other malpractices at the earliest opportunity and in an appropriate way. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistle-blowing policy which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic review of the effectiveness of the policy.

DIRECTORS' REPORT

BOARD AUDIT COMMITTEE (CONT'D.)

The Board Audit Committee held a total of seven meetings (comprising 4 scheduled and 3 ad hoc meetings) in 2020. The internal auditors attended the Board Audit Committee meetings. By invitation, the Board Audit Committee meetings were also attended by the external auditors, the Executive Director, Group Chief Financial Officer, Group Chief Internal Auditor and members of the Senior Officers.

INTERNAL AUDIT

The Company utilises the outsourced services of the Internal Audit Department ("Internal Audit") of Great Eastern Life Assurance (Malaysia) Berhad ("GELM"), which assists the Board Audit Committee in discharging its duties and responsibilities. Internal Audit serves to provide the Board and Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Management. The Internal Audit Charter is approved by the Board Audit Committee. Internal Audit is independent of the activities it audits. Internal Audit is staffed by executives with the relevant qualifications and experience, and the Board Audit Committee ensures that the Internal Audit is adequately resourced. The Chief Internal Auditor reports to the Chairman of the Board Audit Committee and administratively to the Chief Executive Officer.

Internal Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, which include financial, strategic, reputational, operational, technology, legal and regulatory risks. The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Company's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring that significant financial, managerial and operating information is accurate, reliable and timely, operations and programs are effective and efficient, and assets are safeguarded. Reviews conducted by Internal Audit also focus on the Company's compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

BOARD RISK MANAGEMENT COMMITTEE

Under the CG PD, the Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with majority of them being Independent Directors. The Board Risk Management Committee must be chaired by an Independent Director, who is not the Chairman of the Company.

BOARD RISK MANAGEMENT COMMITTEE (CONT'D.)

The Board Risk Management Committee comprises the following Directors:

- Y Bhg Datuk Kamaruddin bin Taib, Chairman
- Mr Lai Chin Tak, Member
- Ms Mimi Sze Ho, Member

All the Members (including the Chairman) are Independent Directors.

The Board Risk Management Committee is responsible for overseeing all risk management and compliance matters (strategic risk, market risk, credit risk, liquidity risk, insurance risk, operational risk, technology risk, regulatory and compliance risks and any other category of risks; as well as the state of risk culture maturity) and technology-related matters as delegated by the Board or as deemed necessary by the Board Risk Management Committee. It reviews the overall risk management philosophy, including the risk profile, risk tolerance level, and risk and capital management strategy, in line with the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company. It oversees the cultivation of a strong risk culture that promotes risk awareness and sound risk taking.

The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. The terms of reference include the review and endorsement or the review and approval of (where applicable) frameworks, policies and charters; the strategies for effective risk management, investment management and asset-liability management; as well as the review of major risk management initiatives, significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.

In discharging its duties and responsibilities, the Company engages the services of the Risk Management and Compliance Department of GELM, which are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Officers to develop enterprise-wide risk controls and risk mitigation procedures. The Board Risk Management Committee reviews the performance of the outsourced services and its servicing fees annually.

The Board Risk Management Committee meets with the Head of Risk Management and the Head of Compliance at least once a year without the presence of Management to discuss matters, which may be raised privately.

DIRECTORS' REPORT

BOARD RISK MANAGEMENT COMMITTEE (CONT'D.)

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 31 to the Financial Statements.

The Board Risk Management Committee held a total of five meetings in 2020.

INTERNAL CONTROL FRAMEWORK

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective and efficient operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company and stakeholders' interests.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, it is noted that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their systems of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

Infrastructure

While the Board is ultimately responsible for the management of risks within the Company, there are risk oversight committees that facilitate in depth review of the risks associated with specific aspects of the business such as the Board Risk Management Committee, the Board Audit Committee, the Senior Management Team, the Asset Liability Committee, the Information Technology Steering Committee and the Product Development Committee. The duties and scope of work of these committees are documented in their respective terms of reference.

The authority delegated by the Board to the Board Committees and the CEO are formalised in the Company's Authority Grid. Other documents that guide on the delegation of the CEO's authority include underwriting limits, claim limits and investment limits.

INTERNAL CONTROL FRAMEWORK (CONT'D.)

Infrastructure (cont'd.)

The segregation of duties is paramount in ensuring that members of staff are not assigned potential conflicting responsibilities that relate to matters such as approvals, disbursements and administration of policies, execution and recording of investment, operational and internal audit/compliance functions, underwriting and credit control.

Frameworks, Policies and Procedures

The Company has established risk management frameworks and policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the board. These cover key risk areas such as:

- Investments
- Insurance operations
- Technology, cyber and information
- Fraud and market conduct
- Anti-money laundering and countering the financing of terrorism
- Capital management, capital contingency and stress testing
- Related party and interested party transactions
- Outsourcing
- Reinsurance management
- Business continuity management
- Anti-bribery and corruption
- Data governance and management

The frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory, statutory and Group requirements. They are then approved by the Board or relevant Board or Management Committees.

DIRECTORS' REPORT

INTERNAL CONTROL FRAMEWORK (CONT'D.)

Self-assessment Process

A mature self-assessment process that is supported by the use of the Risk Control Self-assessment and Compliance Requirements by the respective departments (Self-assessment tools) is entrenched in the Company. The results of the assessment are reviewed by the Senior Officers, who in turn would provide an annual assurance to the CEO on the adequacy and effectiveness of the Company's operational risk management and internal control systems and compliance with the relevant statutory and regulatory requirements. This self-assessment process is further supplemented by an annual assurance report on risk management and internal controls, co-ordinated by Risk Management and tabled to the Board Audit Committee, Board Risk Management Committee and Board for notation.

Annually, an Own Risk and Solvency Assessment report is submitted to apprise the Board Risk Management Committee and the Board of the Company's risk profile, the manner in which the Company determines its solvency and the various measures put in place to ensure that the solvency requirements are met at all times.

Monitoring and Reporting

An Enterprise Risk Dashboard that features the Company's risk profile from various perspectives namely strategic risk, financial risk, operational risk, technology risk; and market conduct and compliance risk is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.

Regulatory breaches, risk concerns and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. The respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for a number of Key Risk Indicators for reporting internally as well as to BNM on a regular basis.

Stress test scenarios and the corresponding stress factors are developed and reviewed by the Board annually and thereafter, the scenarios and factors are used to stress the financial positions.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving, monitoring whenever necessary, and writing off such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflict of interest are excluded from the approval process of granting and managing related party transactions. Material and/or special related party transactions and the write-off of material and/or special related party transactions are reported to the Board Audit Committee for review and to the Board for approval. Details of the Company's related party transactions during FY2020 are set out in Note 29 of the Notes to the Financial Statements.

ETHICAL STANDARDS

"The Directors and Management are committed to promoting and maintaining values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company. The Company has adopted a Code of Conduct which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's staff intranet.

The Company has a suite of policies in place for proper governance and management that staff have to comply with. All policies are developed in accordance with the Company's risk management and compliance requirements, internal control systems and processes, and are subject to Management self-assessment and independent audits.

The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Tan Fong Sang and Datuk Kamaruddin bin Taib, being two of the Directors of Great Eastern General Insurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 52 to 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 2020 and of its financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 March 2021.

Tan Fong Sang

Datuk Kamaruddin bin Taib

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Khoo Sook Hooi (CA 28215), being the officer primarily responsible for the financial management of Great Eastern General Insurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 164 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Khoo Sook Hooi at
Kuala Lumpur in the Federal Territory
on 22 March 2021.

Khoo Sook Hooi

Before me,

PESURUHJAYA SUMPAH
W607
GURDEEP SINGH
A/L JAG SINGH
01/01/2019-31/12/2021
MALAYSIA

5B, JALAN RAKYAT
(JALAN TRAVERS)
BRICKFIELDS
50470 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 198301007025 (102249-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Great Eastern General Insurance (Malaysia) Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2020, 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 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 164.

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.

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
T: +60 (3)2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 198301007025 (102249-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 198301007025 (102249-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 198301007025 (102249-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2021 J
Chartered Accountant

Kuala Lumpur
22 March 2021

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Assets			
Intangible assets	3	48,916,925	23,362,329
Property and equipment			
- Owned	4(a)	3,793,548	23,587,630
- Right-of-use assets	4(b)	15,998,550	15,215,382
Investments	5	759,036,573	749,247,708
Reinsurance assets	6	236,586,027	224,369,723
Insurance receivables	7	83,933,925	64,192,063
Other receivables	8	66,133,984	66,504,076
Deferred tax assets	9	-	737,617
Tax recoverable		1,584,586	424,141
Cash and bank balances		16,772,188	16,502,878
Total Assets		1,232,756,306	1,184,143,547
Equity			
Share capital	10	100,000,000	100,000,000
Retained earnings	11	364,721,355	351,337,684
Fair value reserves		15,729,939	8,998,128
Total Equity		480,451,294	460,335,812
Liabilities			
Insurance contract liabilities	12	613,865,894	601,598,848
Lease liabilities		15,850,067	14,922,400
Deferred tax liabilities	9	1,606,011	-
Deposits from reinsurers	13	2,314,929	945,602
Insurance payables	14	57,934,022	43,952,458
Other payables	15	60,734,089	62,388,427
Total Liabilities		752,305,012	723,807,735
Total Equity and Liabilities		**1,232,756,306**	**1,184,143,547**

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

STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Gross earned premiums	*16(a)*	518,528,141	517,122,319
Premiums ceded to reinsurers	*16(b)*	(155,698,455)	(132,049,474)
Net Earned Premiums		362,829,686	385,072,845
Investment income	*17*	32,294,399	32,229,687
Realised gains	*18*	3,807,324	1,466,142
Fair value gains	*19*	1,846,445	4,839,647
Changes in allowance for expected credit losses ("ECL") on investment assets		(72,795)	217,538
Fee and commission income		33,841,836	30,743,743
Other operating revenue	*20*	3,816,142	4,513,093
Other Revenue		75,533,351	74,009,850
Gross claims paid	*21(a)*	(253,697,130)	(249,893,913)
Claims ceded to reinsurers	*21(b)*	71,399,601	54,818,885
Gross change in contract liabilities	*21(c)*	(3,754,162)	(41,351,029)
Change in contract liabilities ceded to reinsurers	*21(d)*	1,357,708	25,407,486
Net Claims		(184,693,983)	(211,018,571)
Fee and commission expense		(73,671,578)	(74,462,361)
Management expenses	*22*	(107,891,057)	(109,784,498)
Finance cost		(673,558)	(737,996)
Other Expenses		(182,236,193)	(184,984,855)
Profit Before Taxation		**71,432,861**	**63,079,269**
Taxation	*23*	(16,060,026)	(3,704,166)
Net Profit For The Year		**55,372,835**	**59,375,103**
Earnings Per Share (sen)			
Basic and diluted	*24*	55.37	59.38

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

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	20120 RM	2019 RM
Net Profit For The Year		**55,372,835**	**59,375,103**
Other Comprehensive Income:			
Items that may be reclassified to statement of profit or loss in subsequent periods:			
Fair value through other comprehensive income			
Net gains on fair value changes		9,541,759	11,734,389
Realised gains transferred to statement of profit or loss		(3,380,134)	(1,466,140)
Reclassification from FVOCI reserves to retained earnings arising from realised losses on disposal of FVOCI equities		2,617,320	491,885
Changes in allowance for ECL		78,701	(191,021)
		8,857,646	10,569,113
Tax effect	*9*	(2,125,835)	(2,536,586)
		6,731,811	8,032,527
Total Comprehensive Income For The Year		**62,104,646**	**67,407,630**

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

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Non-distributable		Distributable	
	Share capital RM	FVOCI reserves RM	Retained earnings RM	Total equity RM
At 1 January 2019	100,000,000	965,601	325,336,414	426,302,015
Total comprehensive income for the year	-	7,658,694	59,375,103	67,033,797
Reclassification from FVOCI reserves to retained earnings arising from realised losses on disposal of FVOCI equities	-	373,833	(373,833)	-
Dividend paid during the year (Note 25)	-	-	(33,000,000)	(33,000,000)
At 31 December 2019	100,000,000	8,998,128	351,337,684	460,335,812
Total comprehensive income for the year	-	4,742,647	55,372,835	60,115,482
Reclassification from FVOCI reserves to retained earnings arising from realised losses on disposal of FVOCI equities	-	1,989,164	(1,989,164)	-
Dividend paid during the year (Note 25)	-	-	(40,000,000)	(40,000,000)
At 31 December 2020	**100,000,000**	**15,729,939**	**364,721,355**	**480,451,294**

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Operating Activities			
Cash generated from operating activities	26	32,645,420	19,764,799
Dividend income received		11,356,264	7,322,680
Interest income received		23,681,938	25,632,902
Interest paid		(11,051)	(13,432)
Income tax paid		(16,374,521)	(14,080,849)
Net Cash Flows Generated From Operating Activities		51,298,050	38,626,100
Investing Activities			
Proceeds from disposal of property and equipment		1,080	1,061
Purchase of equipment	4	(1,362,089)	(8,677,081)
Purchase of intangible assets		(10,675,159)	(5,247,000)
Net Cash Flows Used In Investing Activities		(12,036,168)	(13,923,020)
Financing Activity			
Payment of lease liabilities		(3,592,572)	(3,480,402)
Dividend paid	25	(40,000,000)	(33,000,000)
Net Cash Flows Used In Financing Activities		(43,592,572)	(36,480,402)
Net Decrease In Cash And Cash Equivalents		(4,330,690)	(11,777,322)
Cash And Cash Equivalents At Beginning Of Year		28,952,878	40,730,200
Cash And Cash Equivalents At End Of Year		**24,622,188**	**28,952,878**
Cash And Cash Equivalents Comprises:			
Cash and bank balances		16,772,188	16,502,878
Deposits with licensed financial institutions	5(a)	7,850,000	12,450,000
		24,622,188	**28,952,878**

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is underwriting of all classes of general insurance business.

There has been no significant change in the nature of the principal activity during the financial year.

The immediate holding company is Overseas Assurance Corporation (Holdings) Berhad (“OACH”), which is incorporated in Malaysia. The intermediate holding company is Great Eastern General Insurance Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is OCBC Bank, a public-listed company incorporated in the Republic of Singapore.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 March 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Preparation

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

The financial statements of the Company have been prepared under the historical cost convention, unless stated otherwise in the accounting policies. The financial statements are presented in Ringgit Malaysia (“RM”), which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies

(a) Property And Equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the statement of profit or loss in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

Depreciation of property and equipment is calculated on a straight-line basis to reduce the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for capital work in progress as it is not ready for active use. The useful life of an asset is as follows:

Category Of Asset	Useful Life
Office Equipment	5 years
Office Furniture And Fittings	10 years
Renovation	3 to 5 years
Computer Equipment	3 years
Motor Vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposal are determined by comparing proceeds with the carrying amounts and are included in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets

(i) Initial Recognition And Measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial assets. The Company determines the classification of its financial assets and liabilities at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the statement of profit or loss.

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(i) Initial Recognition And Measurement (cont'd.)

Classification **(cont'd.)**

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity security that is not held for trading may, by irrevocable election, be designated and measured at FVOCI. This election is made on an investment-by-investment basis. The Company has designated certain equity securities held for strategic purposes as measured at FVOCI.

A financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI may, by irrevocable election, be designated and measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has designated certain debt securities which are held with the intent to hold to collect contractual cash flows and sell to be measured at FVTPL.

All other financial assets are measured as FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(i) Initial Recognition And Measurement (cont'd.)

Business Model Assessment

The Company assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading, and whose performance is evaluated on a fair value basis, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking “worst case” or “stress case” scenarios into account. If the cash flows after initial recognition are realised in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(i) Initial Recognition And Measurement (cont'd.)

Assessment Whether Contractual Cash Flows Are Solely Payments Of Principal And Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers the following key aspects:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(ii) Subsequent measurement

Debt Instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(ii) Subsequent Measurement (cont'd.)

Debt Instruments (cont'd.)

(a) Amortised Cost

Debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Gains or losses are also recognised in statement of profit or loss when the assets are derecognised.

(b) FVOCI

Debt instruments that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Any gains or losses from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve. Impairment, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in statement of profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statement of profit or loss when the financial asset is derecognised.

(c) FVTPL

Debt instruments that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. Any gains or losses from changes in fair value and interest are recognised in statement of profit or loss.

Equity Instruments

The Company subsequently measures all equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of profit or loss, including upon disposal. Equity instruments designated at FVOCI are not subject to impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Financial Assets (cont'd.)

(ii) Subsequent Measurement (cont'd.)

Equity Instruments (cont'd.)

Dividends, when representing a return from such investments are to be recognised in the statement of profit or loss when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the statement of profit or loss.

Loans And Receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These investments are initially recognised at cost. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Subsequent to initial recognition, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the statement of profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

(c) Financial Liabilities And Insurance Payables

Financial liabilities and insurance payables within the scope of MFRS 9 *Financial Instruments* and MFRS 4 *Insurance Contracts* respectively are recognised on the statement of financial position when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial Liabilities At FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading ("HFT") and financial liabilities designated upon initial recognition as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(c) Financial Liabilities And Insurance Payables (cont'd.)

(i) Financial Liabilities At FVTPL (cont'd.)

Financial liabilities HFT include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the statement of profit or loss. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities at FVTPL.

(ii) Other Financial Liabilities

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

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

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

(d) Fair Value Measurement

The Company measures certain financial instruments as disclosed in Note 30 at fair value at each financial position.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Fair Value Measurement (cont'd.)

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

At each financial position, Finance Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Fair Value Measurement (cont'd.)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) Impairment Of Assets

(i) Impairment Of Non-Financial Assets

The carrying amount of non-financial assets is reviewed at each financial position to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and its value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit ("CGU").

An impairment loss is recognised in the statement of profit or loss in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the statement of profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(ii) Impairment Of Financial Assets

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

(a) Debt instruments measured at FVOCI; and
(b) Debt instruments measured at amortised cost.

The Company assesses on a forward looking basis the ECL associated with its loans and debt instruments carried at amortised cost and FVOCI. For insurance receivables, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses. The Company recognises a loss allowance for ECL at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Assets (cont'd.)

(ii) Impairment Of Financial Assets (cont'd.)

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL represents the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Modified Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Assets (cont'd.)

(ii) Impairment Of Financial Assets (cont'd.)

Credit-Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company considers factors as evidence that a financial instrument is credit impaired;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

For financial assets that are not credit-impaired at the reporting date: the ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For financial assets that are credit-impaired at the reporting date: the ECL is the difference between the gross carrying amount and the present value of estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Assets (cont'd.)

(ii) Impairment Of Financial Assets (cont'd.)

Write-Off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(f) Derecognition

A financial asset is derecognised when:

- The contractual right to receive cash flows from the asset has expired; or
- The Company has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement: and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(f) Derecognition (cont'd.)

On derecognition of a financial asset except for equity securities measured at FVOCI, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the statement of profit or loss.

On derecognition of equity securities measured at FVOCI, any cumulative gain/loss recognised in other comprehensive income is not recognised in statement of profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Regular Way Purchase Or Sale Of A Financial Asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(g) Offsetting Of Financial Assets And Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(h) Intangible Assets

(i) Business Combination And Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities including contingent liabilities but excluding future restructuring liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets (net fair value of identifiable assets, liabilities and contingent liabilities) acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the statement of profit or loss in the year of acquisition.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Company's CGU that are expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the statement of profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative fair values of the operations disposed and the portion of the CGU retained.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(h) Intangible Assets (cont'd.)

(ii) Other Intangible Assets

Other intangible assets of the Company comprises:

- A portal ("Distribution Platform") developed to sell or distribute the Group's products digitally. This Distribution Platform is recognised at cost on initial recognition. Following initial recognition, this Distribution Platform is amortised on a straight-line basis over its estimated useful life of 6.5 years.

- Software intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software development costs are incurred for the development of software for system. These costs are amortised over a period of 5 years or 20% on a straight-line basis from the date of system commissioning.

  Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

(i) Shareholders' Equity

Shareholders' equity is defined as the residual interest in the assets of an entity after deducting all its liabilities. The following outlines the various types of equity and reserves of the Company.

Ordinary Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(i) Shareholders' Equity (cont'd.)

Retained Earnings

A portion of the retained earnings has been set aside to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten.

Fair Value Reserve

Fair value reserve comprises the cumulative net change in fair value of financial assets measured at FVOCI and the related loss allowance recognised in profit or loss until the assets are derecognised, net of tax. Any cumulative gain or loss on disposal (net of tax) for equities measured at FVOCI will be reclassified from fair value reserve to retained earnings.

(j) Investment In Subsidiary

A subsidiary is an entity over which the Company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its investment with the investee;

- The ability to use its power over the investee to affect its returns.

In the Company's financial statements, investment in subsidiary, which relates to investment in collective investment scheme, is carried at fair value.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in the statement of 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 Statement*.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(k) Product Classification

Insurance contracts are those contracts that transfer significant insurance risk. Insurance contracts are contracts where 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 claims paid with claims payable if the insured event did not occur.

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

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions 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 the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(l) Reinsurance (cont'd.)

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 part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the statement of profit or loss. Gains or losses on reinsurance are recognised immediately in the statement of profit or loss and are not amortised. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business where 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. Amount 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 expire or when the contract is transferred to another party.

(m) General Insurance Underwriting Results

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

Gross Premiums

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(m) General Insurance Underwriting Results (cont'd.)

Reinsurance Premiums

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

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from 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.

Premium Liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(o)(ii).

Claim Liabilities

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

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less reinsurance recoveries to settle the present obligation at the financial position.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the financial position based on actuarial valuation, as described in Note 2.2(o)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(n) Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using effective interest method. A loss allowance is measured at an amount equal to lifetime ECL, with the impairment loss recognised in the statement of profit or loss.

The expected credit loss impairment provisional amounts are recognised in the statement of profit or loss monthly. Subsequent increases in the recoverable amount of the insurance receivable are treated as a reversal of the previous expected credit loss impairment amount.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(o) General Insurance Contract Liabilities

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

General insurance contract liabilities comprise claim liabilities and premium liabilities.

(i) Claim Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(o) General Insurance Contract Liabilities (cont'd.)

(i) Claim Liabilities (cont'd.)

The valuation of general insurance contract liabilities at financial position is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. As required by BNM, the provision for adverse deviation is set at 75% level of sufficiency. The valuation methods used include the paid and incurred link ratio methods, the paid and incurred Bornhuetter-Ferguson methods and the expected loss ratio methods.

(ii) Premium Liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves (“UPR”) for all lines of business and the best estimate value of the Unexpired Risk Reserves (“URR”) plus the required risk margin for adverse deviation as required by the RBC Framework.

(a) UPR

UPR represents the portion of net premiums of insurance policies written, less the related net acquisition costs that remains unearned at the financial position. UPR is computed with reference to the month of accounting for the premium reduced by the percentage of accounted gross direct business commissions to the corresponding premiums but not exceeding such limits as specified by BNM on the following basis:

- 25% method for marine and aviation cargo, and transit business;
- $1/365^{th}$ method for all other classes of general business in respect of Malaysian policies; and
- Non-annual policies are time apportioned over the period of the risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(o) General Insurance Contract Liabilities (cont'd.)

(ii) Premium Liabilities (cont'd.)

(b) URR

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

(p) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

Dividend is recognised when the right to receive payment is established.

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or carrying amount and are credited or charged to the statement of profit or loss.

Commission income derived from reinsurers in the course of cession of premiums to reinsurers are recognised to the statement of profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(q) Income Tax

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

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

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax is recognised in the statement of profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(r) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(s) Contingent Liabilities

A contingent liability is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

(ii) a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the statement of financial position of the Company, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair values can be reliably determined.

(t) Employee Benefits

Defined Contribution Plans Under Statutory Regulations

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the statement of profit or loss as incurred.

Employee Leave Entitlements

An employee's entitlement to annual leave is estimated and accrued according to the Company’s Human Resource policy.

Share Options

Senior executives of the Company are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the statement of profit or loss of the general insurance fund, with a corresponding increase in the intercompany balance with the ultimate holding company, over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(t) Employee Benefits (cont'd.)

***Share Options* (cont'd.)**

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Company or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the statement of profit or loss upon cancellation.

Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Company are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards granted as part of variable performance bonus, half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the statement of profit or loss on a straight-line basis over the vesting period of the DSP.

At each financial position, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

The Company has ceased granting OCBC share options to eligible executives with effect from FY2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(u) Cash And Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, short-term and highly liquid investments with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(v) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

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

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

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

The Company presents its right-of-use assets in 'property, plant and equipment' and lease liabilities in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(v) Leases (cont'd.)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(w) Sales Tax Act 2018 and Service Tax Act 2018 ("SST")

Effective from 1 September 2018, Sales Tax Act 2018 and Service Tax Act 2018 (“SST”) are introduced to replace the GST Act 2014. Service Tax is charged and levied on any provision of taxable services made in the furtherance of business by a taxable person and in Malaysia. Service tax is not chargeable on imported and exported services.

The provision of all types of general insurance contracts to cover any risk incurred in Malaysia is a taxable service and subject to service tax at 6%.

The amount of Service Tax payable to the tax authority is included as part of the payables in the statement of financial position.

(x) Related Parties

A related party is defined as follows:

(a) A person or a close member of that person’s family who:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel which includes the Directors, Chief Executive Officer and Senior Management Team of the Company or parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(x) Related Parties (cont'd.)

(b) An entity is related to the Company where any of the following condition

- (i) the entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) the entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);
- (iii) both the entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or parent of the entity); or
- (viii) the entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Related party transactions are reported in the Company's financial statement in accordance with requirements of MFRS 124 Related Party Disclosures, Companies Act, 2016 and Financial Services Act 2013 and Guidelines on Financial Reporting.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes In Accounting Policies And Disclosures

New And Amended Standards And IC Interpretations

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

On 1 January 2020, the Company adopted the following amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2020.

- Amendments to MFRS 3 *Business Combinatios*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Interest Rate Benchmark Reform (Amendments to MFRS 9 *Financial Instruments,* MFRS 139 *Financial Instruments: Recognition and Measurement and* MFRS 7 *Financial Instruments: Disclosures)*

The adoption of the above pronouncement did not have any significant impact on the financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective

As at the date of authorisation of these financial statements, the following Standards, IC Interpretations and Amendments to Standards and improvements to published standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

Effective For The Financial Periods Beginning On Or After 1 January 2021

- Amendments to MFRS 16 *Leases* - COVID-19-Related Rent Concessions

Effective For The Financial Periods Beginning On Or After 1 January 2022

- Amendments to MFRS 116 *Property, Plant and Equipment* - Proceeds before Intended Use
- Amendments to MFRS 3 *Business Combinations* - Reference to the Conceptual Framework
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020 cycle)*
- Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020 cycle)*
- Amendments to Illustrative Examples on MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018-2020 cycle)*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* - Onerous contracts

Effective For The Financial Periods Beginning On Or After 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101 *Presentation of Financial Statements* - Classification of liabilities as current or non-current

Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective (cont'd.)

MFRS 17 *Insurance Contracts* ("MFRS 17")

In August 2017, MFRS 17 was issued, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces MFRS 4.

MFRS 17 is effective for annual periods beginning on or after 1 January 2023. The Company plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with the Company's financial statements' presentation and disclosures.

2.5 Significant Accounting Judgements, Estimates And Assumptions

(a) Critical Judgements Made In Applying Accounting Policies

In the preparation of the Company's financial statements, management makes estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities at reporting date. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are judgements made by management in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

(i) Impairment Of Financial Assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgements, Estimates And Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions

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

(i) Valuation Of General Insurance Contract Liabilities

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR at a 75% level of sufficiency while claim liabilities mainly comprise the provision for outstanding claims notified and outstanding claims incurred but not reported.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant are past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projections.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgements, Estimates And Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions (cont'd.)

(i) Valuation Of General Insurance Contract Liabilities (cont'd.)

Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

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

(ii) Pipeline Premium

The estimation of pipeline premiums made by management is based on average actual pipeline premium booked in for the past three (3) years. As estimations are inherently uncertain, actual premium may differ from the estimated premiums.

(iii) Impairment Of Goodwill

The Company assesses goodwill annually to determine if any impairment exists by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment. The assumptions applied to estimate the value-in-use computations are as described in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3. INTANGIBLE ASSETS

	Goodwill RM	Distribution platform RM	Software RM	Capital work-in-progress RM	Total RM
Cost					
At 1 January 2019	**18,182,598**	**-**	**-**	**-**	**18,182,598**
Additions	-	5,247,000	-	-	5,247,000
At 31 December 2019	**18,182,598**	**5,247,000**	**-**	**-**	**23,429,598**
Additions	-	-	4,354,571	6,320,588	10,675,159
Reclassification	-	-	19,273,823	13,501,537	32,775,360
Adjustment	-	(874,500)	-	-	(874,500)
At 31 December 2020	**18,182,598**	**4,372,500**	**23,628,394**	**19,822,125**	**66,005,617**
Accumulated Amortisation					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Amortisation for the year	-	67,269	-	-	67,269
At 31 December 2019	**-**	**67,269**	**-**	**-**	**67,269**
Amortisation for the year	-	672,692	3,396,212	-	4,068,904
Reclassification	-	-	12,963,730	-	12,963,730
Adjustment	-	(11,211)	-	-	(11,211)
At 31 December 2020	**-**	**728,750**	**16,359,942**	**-**	**17,088,692**
Net Carrying Amount					
At 31 December 2019	**18,182,598**	**5,179,731**	**-**	**-**	**23,362,329**
At 31 December 2020	**18,182,598**	**3,643,750**	**7,268,452**	**19,822,125**	**48,916,925**

NOTES TO THE FINANCIAL STATEMENTS

3. INTANGIBLE ASSETS (CONT'D.)

3.1 Goodwill

The goodwill above arose from the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad ("Tahan") (now known as IUB Greengold Berhad) on 1 January 2011.

Goodwill is allocated to the Company's CGU which is expected to benefit from the synergies of the acquisition. The recoverable amount of the CGU is assessed based on its value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. Impairment is recognised in the statement of profit or loss if the carrying amount of the CGU exceeds its recoverable amount.

Goodwill is allocated to the Company's business as a whole, which is defined as a single CGU. The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a five-year period.

The other key assumptions for the computation of value-in-use are as follows:

(i) The expected growth rate of the Company is on the average of 11.4% per annum (2019: 10.6%);

(ii) The discount rate applied is the internal weighted average cost of capital of the Company at the time of the assessment, which is estimated to be 9.3% per annum (2019: 5.9%), pre-tax discount rate of 11.5% per annum (2019: 6.3%); and

(iii) Terminal value cash flow growth rate of 0.5% (2019: 4.5%), which is consistent with the Gross Domestic Product rate.

The management of the Company believes that any reasonably possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount. Accordingly, there is no evidence of impairment of goodwill as at the financial year-end.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

(a) Owned

	Office equipment, renovation, furniture & fittings RM	Motor vehicles RM	Computer equipment RM	Capital work-in-progress RM	Total RM
Cost					
At 1 January 2019	**5,761,478**	**425,214**	**18,869,539**	**8,987,769**	**34,044,000**
Additions	136,914	-	114,839	8,425,328	8,677,081
Reclassification	230,975	-	2,918,042	(3,149,017)	-
Disposal	-	-	(4,816)	-	(4,816)
Write-off	(21,916)	-	(655,941)	-	(677,857)
At 31 December 2019	**6,107,451**	**425,214**	**21,241,663**	**14,264,080**	**42,038,408**
Additions	311,505	-	701,471	349,113	1,362,089
Reclassification	-	-	(19,094,919)	(13,680,441)	(32,775,360)
Disposal	-	-	(11,337)	-	(11,337)
Write-off	(13,459)	-	(139,046)	-	(152,505)
At 31 December 2020	**6,405,497**	**425,214**	**2,697,832**	**932,752**	**10,461,295**
Accumulated Depreciation					
At 1 January 2019	**2,679,259**	**425,212**	**12,172,894**	**-**	**15,277,365**
Depreciation charge for the year (Note 22)	870,895	-	2,981,406	-	3,852,301
Disposal	-	-	(3,755)	-	(3,755)
Write-off	(19,449)	-	(655,684)	-	(675,133)
At 31 December 2019	**3,530,705**	**425,212**	**14,494,861**	**-**	**18,450,778**
Depreciation charge for the year (Note 22)	890,817	-	451,990	-	1,342,807
Reclassification	-	-	(12,963,730)	-	(12,963,730)
Disposal	-	-	(11,331)	-	(11,331)
Write-off	(11,941)	-	(138,836)	-	(150,777)
At 31 December 2020	**4,409,581**	**425,212**	**1,832,954**	**-**	**6,667,747**
Net Carrying Amount					
At 31 December 2019	**2,576,746**	**2**	**6,746,802**	**14,264,080**	**23,587,630**
At 31 December 2020	**1,995,916**	**2**	**864,878**	**932,752**	**3,793,548**

Included in the cost of property and equipment of the Company are the costs of fully depreciated assets which are still in use amounting to RM3,596,728 (2019: RM11,693,283).

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT (CONT'D.)

(b) Right-of-use Assets

	Properties RM	Other Right-Of-Use Assets RM	Total RM
Cost			
At 1 January 2019	**13,542,911**	**-**	**13,542,911**
Additions	9,155,684	552,381	9,708,065
Lease expiration	(5,997,408)	-	(5,997,408)
At 31 December 2019	**16,701,187**	**552,381**	**17,253,568**
Additions	7,936,539	150,401	8,086,940
Lease expiration	(5,983,153)	-	(5,983,153)
At 31 December 2020	**18,654,573**	**702,782**	**19,357,355**
Accumulated Depreciation			
At 1 January 2019	**-**	**-**	**-**
Depreciation charge for the year (Note 22)	3,208,610	92,064	3,300,674
Lease expiration	(1,262,488)	-	(1,262,488)
At 31 December 2019	**1,946,122**	**92,064**	**2,038,186**
Depreciation charge for the year (Note 22)	3,150,146	179,410	3,329,556
Lease expiration	(2,008,937)	-	(2,008,937)
At 31 December 2020	**3,087,331**	**271,474**	**3,358,805**
Net Carrying Amount			
At 31 December 2019	**14,755,065**	**460,317**	**15,215,382**
At 31 December 2020	**15,567,242**	**431,308**	**15,998,550**

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS

	2020 RM	2019 RM
Malaysian government securities	82,497,785	35,432,020
Debt securities	435,473,855	488,097,487
Equity securities	49,810,094	29,377,893
Collective investment schemes		
- Investment in subsidiary	-	105,859,762
- Investment in others	182,606,112	57,250,219
Loans	798,727	20,780,327
Deposits with financial institutions	7,850,000	12,450,000
	759,036,573	**749,247,708**

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

	2020 RM	2019 RM
Financial assets at amortised cost	8,648,727	33,230,327
Financial assets at FVOCI	517,864,853	470,814,159
Financial assets at FVTPL	232,522,993	245,203,222
	759,036,573	**749,247,708**

The following investments mature after 12 months:

	2020 RM	2019 RM
Financial assets at amortised cost	752,628	760,079
Financial assets at FVOCI	486,109,044	467,781,579
Financial assets at FVTPL	232,522,993	234,124,022
	719,384,665	**702,665,680**

Included in financial assets at FVOCI are quoted equity securities of RM31,753,529 (2019: RM29,336,138) with no maturity date.

Included in financial assets at FVTPL are unquoted equity securities of RM18,026,740 (2019: nil), perpetual debt securities RM18,380,242 (2019: RM55,743,485) and collective investment schemes of RM182,606,113 (2019: RM164,024,117) with no maturity date.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS (CONT'D.)

(a) Financial Assets Measured At Amortised Cost

	2020 RM	2019 RM
Deposits with licensed financial institutions	7,850,000	12,450,000
Mortgage loans	-	74,002
Secured loans	-	20,003,281
Vehicle loans	797,012	703,778
Computer loans	1,715	5,171
	8,648,727	33,236,232
Allowance for ECL	-	(5,905)
	8,648,727	**33,230,327**

The carrying value of fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of financial assets measured at amortised cost, other than fixed and call deposits, are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) Financial Assets Measured At FVOCI

	2020 RM	2019 RM
Malaysian government securities	82,497,785	35,432,020
Unquoted debt securities in Malaysia	403,613,539	406,046,001
Quoted equity securities in Malaysia	31,753,529	29,336,138
	517,864,853	**470,814,159**

Allowance for ECL has been provided for Malaysian government securities and unquoted debt securities measured at FVOCI amount to RM1,940,038 (2019: RM1,861,341). The movement of allowance for ECL is detailed in Note 31(vi).

Quoted equities securities measured at FVOCI are not subject to impairment assessment.

During the financial year ended 31 December 2020, the Company sold listed equity securities due to portfolio rebalancing activities. These investments had a fair value of RM11,509,672 (2019: RM8,277,124) at the date of disposal. The cumulative loss on disposal (net of tax) of RM1,989,164 (2019: cumulative loss on disposal (net of tax) of RM373,833) was reclassified from fair value reserve to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS (CONT'D.)

(c) Financial assets measured at FVTPL

	2020 RM	2019 RM
Unquoted debt securities in Malaysia	31,860,316	82,051,486
Quoted equity securities in Malaysia	29,825	41,755
Unquoted equity securities in Malaysia	18,026,740	-
Collective investment schemes		
- Investment in subsidiary	-	105,859,762
- Investment in others	182,606,112	57,250,219
	232,522,993	**245,203,222**

Financial assets measured at FVTPL primarily comprise perpetual debt securities, collective investment schemes, unquoted equity securities, warrants and structured deposits. In accordance with MFRS 9, these have been designated as FVTPL upon initial recognition.

(d) Carrying Values Of Investments

	Amortised Cost RM	FVOCI RM	FVTPL RM	Total RM
At 1 January 2019	**45,268,191**	**510,242,108**	**135,763,623**	**691,273,922**
Purchases (Note 26)	2,281,172,899	312,713,512	149,608,753	2,743,495,164
Maturities/disposals	(2,293,200,538)	(362,623,679)	(45,008,801)	(2,700,833,018)
Fair value gains recorded in other comprehensive income	-	10,760,134	-	10,760,134
Fair value gains recorded in statement of profit or loss	-	-	4,839,647	4,839,647
Provision for ECL	(398)	-	-	(398)
Amortisation	(9,827)	(277,916)	-	(287,743)
At 31 December 2019	**33,230,327**	**470,814,159**	**245,203,222**	**749,247,708**

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS (CONT'D.)

(d) Carrying Values Of Investments (cont'd.)

	Amortised Cost RM	FVOCI RM	FVTPL RM	Total RM
At 1 January 2020	**33,230,327**	**470,814,159**	**245,203,222**	**749,247,708**
Purchases (Note 26)	471,610,000	298,568,892	32,679,171	802,858,063
Maturities/disposals	(496,194,224)	(259,386,056)	(47,205,845)	(802,786,125)
Fair value gains recorded in other comprehensive income	-	8,778,945	-	8,778,945
Fair value gains recorded in statement of profit or loss	-	-	1,846,445	1,846,445
Allowance for ECL	5,905	-	-	5,905
Amortisation	(3,281)	(911,087)	-	(914,368)
At 31 December 2020	**8,648,727**	**517,864,853**	**232,522,993**	**759,036,573**

(e) Investment In Subsidiary - Collective Investment Scheme

On 12 August 2020, the company has lost control of the subsidiary (a collective investment scheme in Malaysia) due to changes in the ownership interest. The details of the Company's investment in AmInstitutional Income Bond Fund are as follow:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company 2020	2019
AmInstitutional Income Bond Fund	Investment in debt securities and money market	29.68%	62.50%

NOTES TO THE FINANCIAL STATEMENTS

6. REINSURANCE ASSETS

	2020 RM	2019 RM
Reinsurers' share of claim liabilities	168,925,771	167,574,800
Accumulated impairment losses	(25,395)	(32,132)
Reinsurers' share of claim liabilities (Note 12)	168,900,376	167,542,668
Reinsurers' share of premium liabilities (Note 12)	67,685,651	56,827,055
	236,586,027	**224,369,723**

Movement Of Accumulated Impairment Losses Account:

	Individually Impaired	
	2020 RM	**2019 RM**
At beginning of year	**32,132**	**170,929**
Reversal of impairment losses	(4,806)	(137,258)
Transfer of impairment losses to insurance receivables	(1,931)	(1,539)
At end of year	**25,395**	**32,132**

The Company have provided for impairment losses for reinsurance assets of reinsurers who are fully impaired as a result of deteriorating financial performance and credit ratings of the reinsurers. During the year, the Company has recognised reversal of impairment losses of RM4,806 (2019: RM137,258) provided earlier due to the closure of time-barred losses and the impairment losses transferred to insurance receivables of RM1,931 (2019: RM1,539) due to settlement of claims.

NOTES TO THE FINANCIAL STATEMENTS

7. INSURANCE RECEIVABLES

	2020 RM	2019 RM
Due premiums including agents/brokers, co-insurers and insured balances	70,488,639	60,706,074
Due from reinsurers and cedants	18,189,041	8,218,732
	88,677,680	68,924,806
Allowance for ECL	(4,743,755)	(4,732,743)
	83,933,925	**64,192,063**

Insurance receivables that do not meet the offsetting criteria amount to RM22,627,626 (2019: RM16,152,204).

The Company's insurance receivables have been offset against payables are as follows:

	Gross carrying amount RM	Gross amounts offset in the statement of financial position RM	Net amounts in the statement of financial position RM
2020			
Premiums	59,870,066	(11,776,178)	48,093,888
Commissions	7,503,965	(10,640,339)	(3,136,374)
Claims	21,113,555	(21,015)	21,092,540
	88,487,586	**(22,437,532)**	**66,050,054**
2019			
Premiums	63,208,419	(4,881,688)	58,326,731
Commissions	293,629	(10,885,715)	(10,592,086)
Claims	5,277,408	(239,451)	5,037,957
	68,779,456	**(16,006,854)**	**52,772,602**

Movement in the allowance for ECL of insurance receivables:

	2020 RM	2019 RM
At beginning of year	4,732,743	3,815,395
Increase in provision for ECL	9,081	915,809
Transfer of impairment losses from reinsurance asset	1,931	1,539
At end of year	**4,743,755**	**4,732,743**

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER RECEIVABLES

	2020 RM	2019 RM
Amount due from immediate holding company (Note 29(a))	300	1,184
Amount due from related companies (Note 29(a))	127,603	283,381
Income due and accrued	7,428,908	8,099,536
Assets held under the Malaysian		
Motor Insurance Pool ("MMIP") (Note 31(v))*	48,372,881	50,445,329
Collateral fixed deposits	5,434,753	5,518,627
Deposits and prepayments	4,724,703	1,295,625
Goods and services tax	-	733,394
Other receivables	44,836	127,000
	66,133,984	66,504,076

The carrying amounts of other receivables (not including assets held under the MMIP) approximate fair values due to the relatively short-term maturity of these balances.

* As a participating member of MMIP ("Pool"), the Company shares a proportion of the Pool's assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The assets held under the MMIP represents the Company's share of the Pool's assets, before insurance contract liabilities and other liabilities. The Company's share of the Pool's insurance contract liabilities, other liabilities and net exposure arising from its participation in the Pool are disclosed in Notes 12, 15 and 31(v) respectively.

Assets held under the MMIP includes net cash contribution of RM13,849,491 (2019: RM16,849,491) made to MMIP. The accumulated net cash contributions were made in respect of the Company's share of MMIP's accumulated losses/surplus up to 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

9. DEFERRED TAX (ASSETS) / LIABILITIES

	2020 RM	2019 RM
At beginning of year	**(737,617)**	**(126,303)**
Recognised in:		
Statement of profit or loss (Note 23)	217,793	(3,147,900)
Other comprehensive income	2,125,835	2,536,586
At end of year	**1,606,011**	**(737,617)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	2020 RM	2019 RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	6,866,323	4,174,461
Deferred tax assets	(5,260,312)	(4,912,078)
	1,606,011	**(737,617)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities:

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2020	**3,794,530**	**-**	**379,931**	**4,174,461**
Recognised in:				
Statement of profit or loss	294,998	-	271,029	566,027
Other comprehensive income	2,125,835	-	-	2,125,835
At 31 December 2020	**6,215,363**	**-**	**650,960**	**6,866,323**

NOTES TO THE FINANCIAL STATEMENTS

9. DEFERRED TAX (ASSETS) / LIABILITIES (CONT'D.)

Deferred Tax Liabilities: (cont'd.)

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2019	**94,677**	**276,940**	**388,166**	**759,783**
Recognised in:				
Statement of profit or loss	1,163,267	(276,940)	(8,235)	878,092
Other comprehensive income	2,536,586	-	-	2,536,586
At 31 December 2019	**3,794,530**	**-**	**379,931**	**4,174,461**

Deferred Tax Assets:

	Provisions RM	Leases RM	Premium liabilities RM	Provision for ECL RM	Total RM
At 1 January 2020	**(2,612,524)**	**(72,193)**	**(1,115,587)**	**(1,111,774)**	**(4,912,078)**
Recognised in:					
Statement of profit and loss	286,740	(35,115)	(599,931)	72	(348,234)
At 31 December 2020	**(2,325,784)**	**(107,308)**	**(1,715,518)**	**(1,111,702)**	**(5,260,312)**
At 1 January 2019	**-**	**-**	**-**	**(886,086)**	**(886,086)**
Recognised in:					
Statement of profit and loss	(2,612,524)	(72,193)	(1,115,587)	(225,688)	(4,025,992)
At 31 December 2019	**(2,612,524)**	**(72,193)**	**(1,115,587)**	**(1,111,774)**	**(4,912,078)**

NOTES TO THE FINANCIAL STATEMENTS

10. SHARE CAPITAL

	2020		2019	
	No. of Shares	RM	No. of Shares	RM
Issued and Paid-up:				
Ordinary shares				
At beginning and end of year	**100,000,000**	**100,000,000**	**100,000,000**	**100,000,000**

The shares issued by the Company do not have par value.

11. RETAINED EARNINGS

The Company may distribute dividends out of its retained earnings as at 31 December 2020 and 31 December 2019 under the single-tier system.

12. INSURANCE CONTRACT LIABILITIES

	2020			2019		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	323,629,114	(143,630,575)	179,998,539	332,409,086	(144,192,175)	188,216,911
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	65,744,345	(25,269,801)	40,474,544	53,210,211	(23,350,493)	29,859,718
Claim liabilities (i)	389,373,459	(168,900,376)	220,473,083	385,619,297	(167,542,668)	218,076,629
Premium liabilities (ii)	224,492,435	(67,685,651)	156,806,784	215,979,551	(56,827,055)	159,152,496
	613,865,894	**(236,586,027)**	**377,279,867**	**601,598,848**	**(224,369,723)**	**377,229,125**

(i) Claim Liabilities

	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
At beginning of year	**385,619,297**	**(167,542,668)**	**218,076,629**	**344,268,268**	**(142,135,182)**	**202,133,086**
Claims incurred in the current accident year (direct and facultative)	270,341,242	(81,213,464)	189,127,778	274,881,552	(61,030,210)	213,851,342
Movement in PRAD of claim liabilities	1,255,279	(149,929)	1,105,350	1,353,083	(195,653)	1,157,430
Movement in unallocated loss adjustment expenses ("ULAE")	564,394	-	564,394	299,103	-	299,103
Other movement in claims incurred in prior accident years (direct and facultative)	(13,989,742)	8,606,084	(5,383,658)	17,506,845	(19,000,508)	(1,493,663)
Movement in claims incurred (treaty inwards claims)	(719,881)	-	(719,881)	(2,795,641)	-	(2,795,641)
Claims paid during the year (Note 21(a))	(253,697,130)	71,399,601	(182,297,529)	(249,893,913)	54,818,885	(195,075,028)
At end of year	**389,373,459**	**(168,900,376)**	**220,473,083**	**385,619,297**	**(167,542,668)**	**218,076,629**

(ii) Premium Liabilities

	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
At beginning of year	**215,979,551**	**(56,827,055)**	**159,152,496**	**209,736,875**	**(49,751,523)**	**159,985,352**
Premiums written in the year (Note 16)	527,041,024	(166,557,051)	360,483,973	523,364,995	(139,125,006)	384,239,989
Premiums earned during the year (Note 16)	(518,528,140)	155,698,455	(362,829,685)	(517,122,319)	132,049,474	(385,072,845)
At end of year	**224,492,435**	**(67,685,651)**	**156,806,784**	**215,979,551**	**(56,827,055)**	**159,152,496**

As at 31 December 2020, the insurance contract liabilities above includes the Company's share of MMIP's claim and premium liabilities amounting to RM26,084,791 (2019: RM28,688,871) and RM1,833,615 (2019: RM2,237,442). The Company's net exposure arising from its participation in MMIP is detailed in Note 31(v).

NOTES TO THE FINANCIAL STATEMENTS

13. DEPOSITS FROM REINSURERS

A reinsurance deposit or premium reserve is maintained in the event the reinsurer fails to discharge their liability under the contract. The premium reserve is computed at the rate of 40% (2019: 40%) of gross premium.

All deposits shall be released in the next suceeding year.

14. INSURANCE PAYABLES

	2020 RM	2019 RM
Due to agents, intermediaries and insured	7,456,870	7,411,190
Due to reinsurers and cedants	50,477,152	36,541,268
	57,934,022	**43,952,458**

The carrying amounts disclosed above approximate fair values at the financial position date as the payables are due within one year.

Insurance payables that do not meet the offsetting criteria amount to RM1,329,923 (2019: RM1,465,692).

The Company's insurance payables have been offset against receivables are as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
2020			
Premiums	67,963,993	(2,001,632)	65,962,361
Commissions	7,332,949	(9,708,136)	(2,375,187)
Claims	3,571,515	(10,554,590)	(6,983,075)
	78,868,457	**(22,264,358)**	**56,604,099**
2019			
Premiums	54,808,973	(2,181,899)	52,627,074
Commissions	1,199,844	(7,066,161)	(5,866,317)
Claims	357,635	(4,631,626)	(4,273,991)
	56,366,452	**(13,879,686)**	**42,486,766**

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER PAYABLES

	2020 RM	2019 RM
Amount due to related companies (Note 29(a))	11,163,263	10,115,213
Liabilities held under the MMIP (Note 31(v))	560,374	1,147,726
Cash collateral held on behalf of insureds	5,434,753	5,518,626
Accrual for staff bonus	8,780,000	9,459,996
Other accrued expenses	19,025,415	14,642,318
Provision for reinstatement cost on lease properties	595,600	593,788
Other payables	15,174,684	20,910,760
	60,734,089	**62,388,427**

The carrying amounts disclosed above approximate fair values at the financial position date as the other payables (not including liabilities held under the MMIP) are due within one year.

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

16. NET EARNED PREMIUMS

	2020 RM	2019 RM
(a) Gross earned premiums		
General insurance contract (Note 12(ii))	527,041,024	523,364,995
Change in premium liabilities	(8,512,883)	(6,242,676)
	518,528,141	517,122,319
(b) Premiums ceded to reinsurers		
General insurance contract (Note 12(ii))	(166,557,051)	(139,125,006)
Change in premium liabilities	10,858,596	7,075,532
	(155,698,455)	(132,049,474)
Net earned premiums (Note 12(ii))	**362,829,686**	**385,072,845**

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENT INCOME

	2020 RM	2019 RM
Interest/profit income:		
- financial assets measured at FVOCI	20,498,027	19,610,138
- financial assets measured at FVTPL	2,025,368	4,328,976
- financial assets measured at amortised cost	764,603	1,447,514
Dividend/distribution income:		
- quoted equity securities in Malaysia		
- derecognised during the year	549,257	182,260
- held at the end of the year	1,177,825	1,405,217
- unquoted equity securities in Malaysia	1,242,725	-
- collective investment schemes		
- Investment in subsidiary	-	4,169,300
- Investment in others	8,109,770	2,501,637
Investment Income (Note 26)	34,367,575	33,645,042
Net amortisation of discounts (Note 26)	(914,368)	(287,743)
Investment expenses	(1,158,808)	(1,127,612)
	32,294,399	**32,229,687**

18. REALISED GAINS

	2020 RM	2019 RM
Property and equipment:		
Gain on disposal of property and equipment (Note 26)	1,074	-
Financial assets measured at FVOCI:		
Realised gains:		
- unquoted debt securities in Malaysia	966,464	898,924
- Malaysian government securities	2,413,670	567,218
Realised gains on financial assets measured at FVOCI	3,380,134	1,466,142
Financial assets measured at FVTPL:		
Realised gains/(losses):		
- unquoted equity securities in Malaysia	(5,460)	-
- unquoted debt securities in Malaysia	431,576	-
Realised gains on financial assets measured at FVTPL	426,116	-
Total realised gains on financial assets (Note 26)	**3,807,324**	**1,466,142**

NOTES TO THE FINANCIAL STATEMENTS

19. FAIR VALUE GAINS

	2020 RM	2019 RM
Unrealised (losses)/gains on quoted equity securities	(11,930)	42,555
Unrealised losses on unquoted equity securities	(333,420)	-
Unrealised gains on debt securities	488,298	684,333
Unrealised gains on collective investment schemes		
- Investment in subsidiary	-	2,604,596
- Investment in others	1,703,497	1,508,163
Total fair value gains (Note 26)	**1,846,445**	**4,839,647**

20. OTHER OPERATING REVENUE

	2020 RM	2019 RM
Sundry income	3,816,142	4,513,093

21. NET CLAIMS

	2020 RM	2019 RM
(a) Gross Claims Paid		
General insurance contracts (Note 12(i))	(253,697,130)	(249,893,913)
(b) Claims Ceded To Reinsurers		
General insurance contracts (Note 12(i))	71,399,601	54,818,885
Net claims paid (a) (Note 12(i))	(182,297,529)	(195,075,028)
(c) Gross Change In Contract Liabilities		
General insurance contracts	(3,754,162)	(41,351,029)
(d) Change In Contract Liabilities Ceded To Reinsurers		
General insurance contracts	1,357,708	25,407,486
Net change in contract liabilities (b)	(2,396,454)	(15,943,543)
Net claims (a) + (b)	**(184,693,983)**	**(211,018,571)**

NOTES TO THE FINANCIAL STATEMENTS

22. MANAGEMENT EXPENSES

	2020 RM	2019 RM
Employee benefits expense (Note 22(a))	56,316,060	56,113,733
Directors' remuneration (Note 22(b))	1,004,302	520,685
Auditors' remuneration:		
- statutory audits	335,000	331,816
- regulatory related fees	9,050	28,434
- other services	42,700	35,050
Depreciation of property and equipment (Note 4(a))	1,342,807	3,852,301
Depreciation of right of use assets (Note 4(b))	3,329,556	3,300,674
Amortisation of intangible asset	4,057,693	67,269
(Write back)/write off of bad debts (Note 26)	40,543	(1,665,977)
Property and equipment written off (Note 26)	1,728	2,724
Rental of equipment, software and services	63,877	296,040
Administration and general expenses	41,336,729	45,984,401
Changes in allowance for ECL on insurance receivables (Note 7)	11,012	917,348
	107,891,057	**109,784,498**

(a) Employee Benefits Expense

	2020 RM	2019 RM
Wages and salaries	45,626,215	46,097,062
Social security contributions	354,329	334,313
Contributions to defined contribution plan - EPF	6,948,101	7,085,459
Other benefits	2,813,436	2,375,399
Share based payments	573,979	221,500
	56,316,060	**56,113,733**

Included in employee benefits expense is CEO's remuneration of RM956,369 (2019: RM858,751) as detailed in Note 22(c).

22. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' Remuneration

The details of remuneration received by Directors during the year are as follows:

	2020 RM	2019 RM
Non-executive directors' fees	**1,004,302**	**520,685**

Name	2020 RM	2019 RM
Mr Norman Ka Cheung Ip	143,600	81,933
Mr Tan Yam Pin	-	33,696
Mr Koh Poh Tiong	84,460	51,856
Y Bhg Datuk Kamaruddin bin Taib	212,300	92,175
Y Bhg Dato' Albert Yeoh Beow Tit	52,350	103,571
Mr Ng Hon Soon	-	47,171
Mdm Tan Fong Sang	185,300	94,250
Mimi Ho	168,608	-
Mr Lai Chin Tak	157,684	16,033
	1,004,302	**520,685**

The other Directors in office during the year and as at the financial year did not receive any remuneration from the Company.

The Directors' fees are subject to the recommendation by the Board Nominations and Remuneration Committee ("BNRC") to the Board for endorsement and approval by the shareholder at the Annual General Meeting ("AGM") of the Company.

(c) CEO's Remuneration

The details of remuneration received by the CEO during the year are as follows:

	2020 RM	2019 RM
Salaries and other remuneration	744,726	697,651
Bonus	187,043	136,500
Total remuneration excluding benefits in kind	931,769	834,151
Estimated money value of benefits in kind	24,600	24,600
Total remuneration (Note 22(a))	956,369	858,751
Share-based payment (in units)	**8,634**	**6,018**

NOTES TO THE FINANCIAL STATEMENTS

23. TAXATION

	2020 RM	2019 RM
Current income tax:		
Malaysian income tax	15,729,925	14,815,223
Under/(Over) provision of income tax	112,308	(7,963,157)
	15,842,233	6,852,066
Deferred tax (Note 9):		
Relating to origination and reversal of temporary differences	207,112	(2,813,156)
Under/(Over) provision in prior year	10,681	(334,744)
	217,793	(3,147,900)
	16,060,026	**3,704,166**

Income tax is based on the statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

	2020 RM	2019 RM
Profit before taxation	**71,432,861**	**63,079,269**
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	17,143,887	15,139,024
Income not subject to tax	(3,018,933)	(5,452,045)
Expenses not deductible for tax purposes	1,812,083	2,315,088
Under/(Over) provision of prior year income tax	112,308	(7,963,157)
Under/(Over) provision of deferred tax in prior year	10,681	(334,744)
Tax expense for the year	**16,060,026**	**3,704,166**

NOTES TO THE FINANCIAL STATEMENTS

24. EARNINGS PER SHARE

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

	2020 RM	2019 RM
Profit attributable to ordinary equity holder	55,372,835	59,375,103
Number of ordinary shares in issue during the year	100,000,000	100,000,000
Basic earnings per share (sen)	**55.37**	**59.38**

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of the financial statements.

25. DIVIDENDS

Recognised during the financial year:

	2020 RM	2019 RM
Final single tier dividend of RM0.33 per ordinary share on 100,000,000 ordinary shares paid on 6 May 2019	**-**	**33,000,000**
Final single tier dividend of RM0.40 per ordinary share on 100,000,000 ordinary shares paid on 15 May 2020	**40,000,000**	**-**

NOTES TO THE FINANCIAL STATEMENTS

26. CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES

	Note	2020 RM	2019 RM
Profit before taxation		71,432,861	63,079,269
Investment income	17	(34,367,575)	(33,645,042)
Realised gains on financial assets at FVOCI and FVTPL	18	(3,806,250)	(1,466,142)
Fair value gains recorded in statement of profit or loss	19	(1,846,445)	(4,839,647)
Purchases of financial assets at FVTPL	5(d)	(32,679,171)	(149,608,753)
Purchases of financial assets at FVOCI	5(d)	(298,568,892)	(312,713,512)
Proceeds from maturities/disposals of financial assets at FVOCI		260,148,870	363,597,934
Proceeds from maturities/disposals of financial assets at FVTPL		47,631,961	45,008,800
Decrease in financial assets at amortised cost		19,984,224	277,639
Finance cost		673,558	737,996
Non-cash items:			
Depreciation of property and equipment	4(a)	1,342,807	3,852,301
Depreciation of right of use assets	4(b)	3,329,556	3,300,674
Amortisation on intangible assets	3	4,057,693	67,269
Gain on disposal of property and equipment	18	(1,074)	-
Changes in allowance for ECL on investment assets		72,795	(217,538)
Changes in allowance for ECL on insurance receivables	7	11,012	917,348
Write back of impairment losses on reinsurance assets	6	(6,737)	(138,797)
Write off/(Write back) of bad debts	22	40,543	(1,665,977)
Property and equipment written off	22	1,728	2,724
Net amortisation of discounts	17	914,368	287,743
Changes in working capital:			
Right-of-use assets		(4,112,724)	(18,516,056)
Reinsurance assets		(12,209,567)	(32,344,221)
Insurance receivables		(19,793,417)	17,072,558
Other receivables		(300,536)	4,528,942
Insurance contract liabilities		12,267,046	47,593,705
Deposits from reinsurers		1,369,327	(125,578)
Insurance payables		13,981,564	(14,083,349)
Lease liabilities		3,882,435	17,705,667
Other payables		(804,540)	21,098,842
Cash generated from operating activities		**32,645,420**	**19,764,799**

26. CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES (CONT'D.)

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

27. CAPITAL COMMITMENTS

The capital commitments of the Company as at the financial year-end are as follows:

	2020 RM	2019 RM
Capital expenditure:		
Approved and contracted for:		
Property and equipment	3,603,380	2,300,212
Approved but not contracted for:		
Property and equipment	12,144,835	23,095,600
	15,748,215	**25,395,812**

NOTES TO THE FINANCIAL STATEMENTS

28. OPERATING LEASE ARRANGEMENTS

The Company As Lessee

The Company has entered into lease agreements for rental of equipment, software and services and office premises.

From 1 January 2019, the company has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note 4 for further information.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future Minimum Rental Payments:

	2020 RM	2019 RM
Rental of equipment, software and services:		
Not later than 1 year	-	102,977
Later than 1 year and not later than 5 years	-	66,999
Total operating lease	**-**	**169,976**

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES

(a) Related Party Transactions And Balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

Significant transactions with related parties during the year:

	2020 RM	2019 RM
Expense/(Income):		
Premium paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	1,259,244	1,173,818
Premium (received)/refund (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,180,998)	(2,264,216)
- OCBC Bank (Malaysia) Berhad	(3,037,086)	(2,257,215)
- OCBC Al-Amin Bank Berhad	(81,383)	(87,897)
- OCBC Properties (M) Sdn Bhd	(18,309)	-
- BOS Wealth Management Malaysia Berhad	(6,947)	(6,767)
- E2 Power Sdn Bhd	(569,591)	(571,049)
- Pac Lease Berhad	(53,599)	(35,223)
- I Great Capital Holdings Sdn Bhd	-	(968)
- Kemasjernih Sdn Bhd	(14,664)	-
- Overseas Assurance Corporation (Holdings) Berhad	-	(726)
- Great Eastern Capital (Malaysia) Sdn Bhd	-	(726)
- Eastern Realty Company Ltd	-	3,203
- Key Management Personnel	(84,195)	(101,030)
Property rentals paid (ii)		
- Great Eastern Life Assurance (Malaysia) Berhad	3,135,272	3,142,572
Service charges paid/(received) (iii)		
- Great Eastern Life Assurance (Malaysia) Berhad	8,246,549	7,302,825
- Great Eastern Life Assurance (Singapore) Co Ltd	1,775,040	1,509,567
- Great Eastern General Insurance Limited	(255,885)	(122,320)
- Kemasjernih Sdn Bhd	140,132	-
Bank charges and custodian fees paid (iii)		
- OCBC Bank (Malaysia) Berhad	2,292,148	2,063,469

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

	2020 RM	2019 RM
Expense/(Income): (cont'd.)		
Interest received (iv)		
- OCBC Bank (Malaysia) Berhad	(439,805)	(792,791)
Commission fees paid		
- Great Eastern Life Assurance (Malaysia) Berhad	330,116	347,870
- OCBC Bank (Malaysia) Berhad	2,837,999	3,028,362
- OCBC Al-Amin Bank Berhad	853	853
- Pac Lease Berhad	3,168,677	3,211,805
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Limited	483,117	167,403
Employee Share Option Scheme		
- Oversea-Chinese Banking Corporation Limited	5,676	3,421
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Limited	85,186	50,676
Disposal of investments to		
- Great Eastern Life Assurance (Malaysia) Berhad	(20,240,776)	(45,436,628)
Purchase of investments from		
- Great Eastern Life Assurance (Malaysia) Berhad	-	25,963,380
Investment in collective investment scheme		
- Affin Hwang Wholesale Income Fund	54,377,107	57,250,219
Investment in collective investment scheme		
- Aminstitutional Income Bond Fund	128,229,006	105,859,762
Dividend received from collective investment scheme		
- Affin Hwang Wholesale Income Fund	(2,933,480)	(2,501,637)
Dividend received from collective investment scheme		
- Aminstitutional Income Bond Fund	(5,176,290)	(4,169,300)

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

	2020 RM	2019 RM
Balances with related parties at year-end:		
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	16,332,586	15,944,047
- OCBC Al-Amin Bank Berhad	23,839	37,767
Fixed deposits and structured deposits		
- OCBC Bank (Malaysia) Berhad	12,320,716	19,741,479
Amount due to subsidiaries of penultimate holding company (Note 15):		
- Great Eastern Life Assurance (Malaysia) Berhad	4,728,818	1,209,535
- Great Eastern Life Assurance (Singapore) Co Ltd	6,145,302	8,752,745
- Oversea-Chinese Banking Corporation Limited	289,143	152,933
	11,163,263	10,115,213
Amount due from subsidiaries of penultimate holding company (Note 8):		
- Great Eastern General Insurance Limited	(68,244)	(122,320)
- PT Great Eastern General Insurance Indonesia	(59,359)	(151,061)
- Great Eastern Takaful Bhd	-	(10,000)
	(127,603)	(283,381)
Amount due from immediate holding company:		
- Overseas Assurance Corporation (Holdings) Berhad (Note 8):	(300)	(1,184)

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

The related companies disclosed above are companies within the Oversea-Chinese Banking Corporation Group except Kemasjernih Sdn Bhd is key management personnel close family member's company. Notes on transactions with related parties:

(i) The sale and purchase of insurance policies to/from related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.

(ii) Rental of property from related parties are made according to normal market prices, terms and conditions.

(iii) Payment of banking and trading service charges to related parties are made according to normal market prices.

(iv) The interest income arose mainly from investment in fixed deposits and structured deposits which are made according to prevailing market rates, terms and conditions.

(v) General terms for balances with related companies are disclosed in Note 15.

(vi) Payment of Group function costs based on allocation rates governed by corporate service agreement and in line with Malaysian Transfer Pricing Guidelines and Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines. Group function services are derived from immediate parent company in Singapore.

The table below shows the breakdown by type of services received and geographical location for inter company charges:

Geographical Location	Type of Services	2020 RM	2019 RM
Singapore	Group service charges for services rendered, which include those in respect of finance, legal, actuarial, support, human resources, operations, investment management, IT, internal audit and risk management services.	1,775,040	1,509,567
		1,775,040	**1,509,567**

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

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

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

	2020 RM	2019 RM
Short-term employee benefits	3,930,859	4,088,219
Post-employment benefits	534,592	600,786
Share based payment	17,817	88,409
	4,483,268	4,777,414
Non Executive Directors' remuneration (Note 22(b))	1,004,302	520,685
	5,487,570	**5,298,099**
Share-based payment (in units)	**19,747**	**14,429**

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS BY CATEGORY

	Amortised cost RM	FVOCI RM	FVTPL RM	Other financial liabilities RM	Total RM
2020					
Assets					
Investments	8,648,727	517,864,853	232,522,993	-	759,036,573
Insurance receivables	83,933,925	-	-	-	83,933,925
Other receivables	62,378,245	-	-	-	62,378,245
Cash and bank balances	16,772,188	-	-	-	16,772,188
Total Financial Assets	**171,733,085**	**517,864,853**	**232,522,993**	**-**	**922,120,931**
Liabilities					
Lease liabilities	-	-	-	15,850,067	15,850,067
Deposits from reinsurers	-	-	-	2,314,929	2,314,929
Insurance payables	-	-	-	57,934,022	57,934,022
Other payables	-	-	-	17,753,990	17,753,990
Total Financial Liabilities	**-**	**-**	**-**	**93,853,008**	**93,853,008**

	Amortised cost RM	FVOCI RM	FVTPL RM	Other financial liabilities RM	Total RM
2019					
Assets					
Investments	33,230,327	470,814,159	245,203,222	-	749,247,708
Insurance receivables	64,192,063	-	-	-	64,192,063
Other receivables	66,190,221	-	-	-	66,190,221
Cash and bank balances	16,502,878	-	-	-	16,502,878
Total Financial Assets	**180,115,489**	**470,814,159**	**245,203,222**	**-**	**896,132,870**
Liabilities					
Lease liabilities	-	-	-	14,922,400	14,922,400
Deposits from reinsurers	-	-	-	945,602	945,602
Insurance payables	-	-	-	43,952,458	43,952,458
Other payables	-	-	-	17,375,353	17,375,353
Total Financial Liabilities	**-**	**-**	**-**	**77,195,813**	**77,195,813**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall:

- Operate within parameters and limits that have been set based on the risk appetite approved by the Board; and

- Pursue appropriate risk-adjusted returns.

Risk Management Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Management Committee ("BRMC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the CEO and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset Liability Committee ("ALC")
- Product Development Committee ("PDC")
- IT Steering Committee ("ITSC")
- Financial Crime Committee ("FCC")

The SMT is responsible for providing leadership, direction and functional oversight with regards to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with governance and oversight frameworks, i.e. standards and guidelines, and ensuring the business operates within the risk appetite in delivering annual business targets.

The ALC is responsible for financial position management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodologies relating to financial position management.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products, ensuring the business operates within the risk appetite in delivering annual business targets.

The ITSC is responsible for providing the overall strategic direction and approval of all IT related initiatives to support the Company's strategic growth into the future.

The FCC provides an independent oversight of fraud investigation and anti-money laundering / counter financing of terrorism ("AML/CFT") review, and ensures that investigations and reviews are conducted in a manner that is fair, consistent and transparent.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Regulatory Framework

Insurers are regulated by the Financial Services Act 2013 ("FSA") which came into force on 30 June 2013, and other relevant regulations issued by regulators from time to time.

Capital Management Framework

The Company's capital management policy is to create shareholders' value, deliver sustainable returns to the shareholder, maintain a strong capital position with sufficient buffer to meet obligations to policyholders and regulatory requirements and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital ("RBC") Framework, the insurer has to maintain a capital adequacy level that is commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well at above the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

The Internal Capital Adequacy Assessment Process ("ICAAP") Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position.

Capital management and contingency policies have been further developed and refined under the Framework to outline the approaches and principles under which the Company's capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement has been established to outline the Company's capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the exposure to the key risks faced by the Company and the objectives, policies and processes for the management of these risks. There has been no major change to the Company's exposure to these key risks or the manner in which it manages and measures these risks.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk

The principal activity of the Company is underwriting of all classes of general insurance business.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification of insurance contracts across industry sectors and geography, regular review of the actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. Should the actual claims experience be worse than the assumptions used in pricing the products and establishing the technical provisions and liabilities for claims, there may be potential shortfalls in provision for future claims and expenses. Assumptions that may cause insurance risks to be underestimated include assumptions on policy claims frequency and policy claims severity.

The Company works closely with reinsurers to put in place a prudent underwriting policy to ensure appropriate risk classification and premium levels. The Company's reinsurance management strategy and policy are reviewed annually by the SMT, BRMC, and the Board as appropriate. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only foreign reinsurers meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, or legally set up local reinsurers are considered. The Company limits its risk to any one reinsurer by ceding different risks to different reinsurers or to a panel of reinsurers.

The SMT reviews the claims trends and experience, as well as expenses to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the life insurance funds under the various scenarios (i.e. Global Trade War, Uncertainty in Local Economic Agenda and Overreliance on Crude Oil Price, Unusual Weather Phenomena and Detarification, and Pandemic) according to regulatory guidelines on stress testing, simulating drastic changes in major parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and loss ratios.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Risks under general insurance policies usually cover a twelve-month duration. The risk inherent in general insurance contracts is reflected in the insurance contract liabilities which include the premium and claim liabilities, as set out under Note 12 of the financial statements. The premium liabilities comprise the higher of Unearned Premium Reserves or Unexpired Risk Reserves, while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

Table 31(A1): The table below shows the concentration of premium liabilities by class of business:

	Gross premium liabilities RM	Reinsurance premium liabilities RM	Net premium liabilities RM
2020			
Fire	32,951,339	(15,529,182)	17,422,157
Motor	79,711,165	(10,944,486)	68,766,679
Marine, Aviation and Transit	26,999,149	(17,868,896)	9,130,253
Workmen's Compensation	522,877	(32,484)	490,393
Personal Accident and Health	47,126,119	(7,936,458)	39,189,661
Others	37,181,786	(15,374,145)	21,807,641
	224,492,435	**(67,685,651)**	**156,806,784**
2019			
Fire	28,881,128	(11,060,269)	17,820,859
Motor	82,694,928	(8,517,342)	74,177,586
Marine, Aviation and Transit	20,839,333	(14,531,668)	6,307,665
Workmen's Compensation	484,856	(9,441)	475,415
Personal Accident and Health	46,071,935	(6,427,938)	39,643,997
Others	37,007,371	(16,280,397)	20,726,974
	215,979,551	**(56,827,055)**	**159,152,496**

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 31(A2): The table below shows the concentration of claim liabilities by class of business:

	Gross claims liabilities RM	Reinsurance claims liabilities RM	Net claims liabilities RM
2020			
Fire	67,531,328	(44,114,620)	23,416,708
Motor	106,301,471	(10,640,364)	95,661,107
Marine, Aviation and Transit	57,894,022	(52,476,933)	5,417,089
Workmen's Compensation	1,346,350	(36,772)	1,309,578
Personal Accident and Health	61,068,056	(6,286,943)	54,781,113
Others	95,232,232	(55,344,744)	39,887,488
	389,373,459	**(168,900,376)**	**220,473,083**
2019			
Fire	70,020,004	(45,907,337)	24,112,667
Motor	116,238,057	(9,704,150)	106,533,907
Marine, Aviation and Transit	78,276,043	(73,978,481)	4,297,562
Workmen's Compensation	687,540	(17,620)	669,920
Personal Accident and Health	55,668,750	(5,872,925)	49,795,825
Others	64,728,903	(32,062,155)	32,666,748
	385,619,297	**(167,542,668)**	**218,076,629**

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

The general insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual premium and claim liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of general insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before taxation and shareholders' equity.

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 31(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variables	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
2020					
Increase/(decrease):					
Provision for adverse deviation ("PRAD") margin	+20%	5,105	5,833	(5,833)	(4,433)
	-20%	(5,105)	(3,682)	3,682	2,799
Selected loss ratio (for latest year)	+20%	57,219	66,449	(66,449)	(50,501)
	-20%	(57,219)	(43,115)	43,115	32,767
Claims handling expenses	+20%	1,141	1,962	(1,962)	(1,491)
	-20%	(1,141)	(1,962)	1,962	1,491

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 31(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variables	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
2019					
Increase/(decrease):					
Provision for adverse deviation ("PRAD") margin	+20%	4,854	2,516	(2,516)	(1,912)
	-20%	(4,854)	(2,307)	2,307	1,754
Selected loss ratio (for latest year)	+20%	67,945	69,895	(69,895)	(53,120)
	-20%	(65,495)	(47,519)	47,519	36,114
Claims handling expenses	+20%	1,017	1,017	(1,017)	(773)
	-20%	(1,017)	(1,017)	1,017	773

* *The impact on equity reflects the impact net of tax at 24% (2019: 24%)*

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table

Table 31(A4): The table below shows the cumulative claims estimates, including both claims notified and incurred but not reported ("IBNR") for each successive accident year at each financial position date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2020:

Accident year	Note	Prior 2013 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	Total RM
At the end of accident year		7,643,336,883	295,811,820	217,630,111	269,295,799	255,380,592	229,203,400	272,671,258	313,024,459	273,057,931	
One year later		1,868,452,082	263,352,963	225,821,390	277,009,059	233,065,696	233,005,418	251,051,292	289,984,005		
Two years later		1,927,441,783	223,135,903	222,266,869	227,100,093	228,241,786	242,028,112	245,858,466			
Three years later		1,912,078,026	223,225,980	218,599,624	254,138,660	230,276,918	275,770,232				
Four years later		1,870,610,356	248,510,262	213,023,141	259,395,746	230,704,386					
Five years later		1,935,213,778	239,829,051	216,092,591	259,439,623						
Six years later		1,883,254,716	236,239,719	211,625,922							
Seven years later		1,867,300,135	235,092,552								
Eight years later		1,851,327,147									
Nine years later											
Current estimate of cumulative claims incurred		**1,851,327,147**	**235,092,552**	**211,625,922**	**259,439,623**	**230,704,386**	**275,770,232**	**245,858,466**	**289,984,005**	**273,057,931**	**3,872,860,264**
At the end of accident year		6,073,571,944	84,240,032	73,154,298	83,570,279	109,406,241	109,039,935	123,665,261	140,159,058	118,648,169	
One year later		1,740,150,764	156,452,886	174,994,471	172,738,047	182,484,260	182,341,237	201,319,033	225,244,584		
Two years later		1,785,419,516	176,365,323	191,501,009	198,872,893	202,385,089	202,298,123	216,700,384			
Three years later		1,790,816,488	181,719,689	198,171,716	237,276,898	205,683,164	231,980,785				
Four years later		1,795,637,504	229,605,584	201,371,743	239,569,924	206,894,802					
Five years later		1,798,247,690	234,019,657	203,733,323	239,936,877						
Six years later		1,798,835,877	234,423,475	204,242,186							
Seven years later		1,802,603,575	234,461,596								
Eight years later		1,805,377,422									
Nine years later											
Cumulative payments to-date		**1,805,377,422**	**234,461,596**	**204,242,186**	**239,936,877**	**206,894,802**	**231,980,785**	**216,700,384**	**225,244,584**	**118,648,169**	**3,483,486,805**
Gross general insurance contract liabilities per Statement of Financial Position	*12(i)*	**45,949,725**	**630,956**	**7,383,736**	**19,502,746**	**23,809,584**	**43,789,447**	**29,158,082**	**64,739,421**	**154,409,762**	**389,373,459**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 31(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each financial position date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2020:

Accident year	Note	Prior 2013 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	Total RM
At the end of accident year		4,821,289,379	196,908,860	143,087,271	145,035,562	171,217,017	175,031,561	214,863,801	223,509,818	198,101,391	
One year later		1,263,508,555	136,318,215	145,511,345	140,781,117	162,547,109	174,042,502	199,170,055	210,145,303		
Two years later		1,313,408,215	130,955,203	143,781,073	138,008,349	160,467,951	177,658,840	200,074,285			
Three years later		1,314,892,615	131,676,354	144,120,092	134,238,090	161,664,133	181,548,839				
Four years later		1,288,867,069	133,044,039	140,857,644	136,907,287	162,199,004					
Five years later		1,271,242,112	129,153,726	143,028,263	136,921,078						
Six years later		1,258,863,389	126,720,197	139,528,646							
Seven years later		1,254,847,081	125,712,019								
Eight years later		1,253,969,092									
Nine years later											
Current estimate of cumulative claims incurred		**1,253,969,092**	**125,712,019**	**139,528,646**	**136,921,078**	**162,199,004**	**181,548,839**	**200,074,285**	**210,145,303**	**198,101,391**	**2,608,199,657**
At the end of accident year		3,798,262,954	66,467,272	62,727,289	60,500,671	88,482,492	96,693,860	109,880,982	115,951,929	102,010,321	
One year later		1,183,306,925	109,522,813	118,472,967	109,508,077	134,081,944	149,825,095	170,041,154	177,003,508		
Two years later		1,209,581,540	119,998,811	129,984,384	120,434,727	145,114,015	160,947,622	181,959,204			
Three years later		1,217,217,336	122,486,678	133,945,014	124,101,663	147,420,696	164,493,268				
Four years later		1,219,453,481	123,642,256	135,542,447	124,721,684	148,387,353					
Five years later		1,220,385,468	125,059,625	136,464,738	124,852,089						
Six years later		1,220,830,190	125,287,904	136,740,468							
Seven years later		1,224,593,318	125,319,435								
Eight years later		1,226,960,928									
Nine years later											
Cumulative payments to-date		**1,226,960,928**	**125,319,435**	**136,740,468**	**124,852,089**	**148,387,353**	**164,493,268**	**181,959,204**	**177,003,508**	**102,010,321**	**2,387,726,574**
Net general insurance contract liabilities per Statement of Financial Position	*12(i)*	**27,008,164**	**392,584**	**2,788,178**	**12,068,989**	**13,811,651**	**17,055,571**	**18,115,081**	**33,141,795**	**96,091,070**	**220,473,083**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table

Table 31(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each financial position date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2019:

Accident year	Note	Prior 2012 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM	Total RM
At the end of accident year		5,717,188,892	162,618,716	295,811,820	217,630,111	269,295,799	255,380,592	229,203,400	272,671,258	313,024,459	
One year later		1,763,529,275	174,527,552	263,352,963	225,821,390	277,009,059	233,065,696	233,005,418	251,051,292		
Two years later		1,693,924,530	171,765,873	223,135,903	222,266,869	227,100,093	228,241,786	242,028,112			
Three years later		1,755,675,910	165,343,460	223,225,980	218,599,624	254,138,660	230,276,918				
Four years later		1,746,734,566	165,300,210	248,510,262	213,023,141	259,395,746					
Five years later		1,705,310,146	163,425,148	239,829,051	216,092,591						
Six years later		1,771,788,630	159,219,837	236,239,719							
Seven years later		1,724,034,879	158,079,737								
Eight years later		1,709,220,398									
Nine years later											
Current estimate of cumulative claims incurred		**1,709,220,398**	**158,079,737**	**236,239,719**	**216,092,591**	**259,395,746**	**230,276,918**	**242,028,112**	**251,051,292**	**313,024,459**	**3,615,408,972**
At the end of accident year		4,430,829,418	84,564,888	84,240,032	73,154,298	83,570,279	109,406,241	109,039,935	123,665,261	140,159,058	
One year later		1,558,177,638	128,798,809	156,452,886	174,994,471	172,738,047	182,484,260	182,341,237	201,319,033		
Two years later		1,611,351,955	145,439,416	176,365,323	191,501,009	198,872,893	202,385,089	202,298,123			
Three years later		1,639,980,100	152,795,580	181,719,689	198,171,716	237,276,898	205,683,164				
Four years later		1,638,020,908	155,291,832	229,605,584	201,371,743	239,569,924					
Five years later		1,640,345,672	157,198,478	234,019,657	203,733,323						
Six years later		1,641,049,212	157,638,286	234,423,475							
Seven years later		1,641,197,591	157,673,799								
Eight years later		1,644,929,776									
Nine years later											
Cumulative payments to-date		**1,644,929,776**	**157,673,799**	**234,423,475**	**203,733,323**	**239,569,924**	**205,683,164**	**202,298,123**	**201,319,033**	**140,159,058**	**3,229,789,675**
Gross general insurance contract liabilities per Statement of Financial Position	*12(i)*	**64,290,622**	**405,938**	**1,816,244**	**12,359,268**	**19,825,822**	**24,593,754**	**39,729,989**	**49,732,259**	**172,865,401**	**385,619,297**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 31(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each financial position date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2019:

Accident year	Note	Prior 2012 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM	Total RM
At the end of accident year		3,495,633,327	123,588,391	196,908,860	143,087,271	145,035,562	171,217,017	175,031,561	214,863,801	223,509,818	
One year later		1,202,067,661	135,107,857	136,318,215	145,511,345	140,781,117	162,547,109	174,042,502	199,170,055		
Two years later		1,128,400,698	131,057,646	130,955,203	143,781,073	138,008,349	160,467,951	177,658,840			
Three years later		1,182,350,569	127,734,661	131,676,354	144,120,092	134,238,090	161,664,133				
Four years later		1,187,157,954	128,031,293	133,044,039	140,857,644	136,907,287					
Five years later		1,160,835,776	127,686,483	129,153,726	143,028,263						
Six years later		1,143,555,629	124,249,399	126,720,197							
Seven years later		1,134,613,990	123,944,224								
Eight years later		1,130,902,857									
Nine years later											
Current estimate of cumulative claims incurred		**1,130,902,857**	**123,944,224**	**126,720,197**	**143,028,263**	**136,907,287**	**161,664,133**	**177,658,840**	**199,170,055**	**223,509,818**	**2,423,505,674**
At the end of accident year		2,670,004,074	77,160,971	66,467,272	62,727,289	60,500,671	88,482,492	96,693,860	109,880,982	115,951,929	
One year later		1,051,097,909	106,827,704	109,522,813	118,472,967	109,508,077	134,081,944	149,825,095	170,041,154		
Two years later		1,076,479,221	117,967,522	119,998,811	129,984,384	120,434,727	145,114,015	160,947,622			
Three years later		1,091,614,018	121,691,972	122,486,678	133,945,014	124,101,663	147,420,696				
Four years later		1,095,525,364	123,058,168	123,642,256	135,542,447	124,721,684					
Five years later		1,096,395,313	123,386,824	125,059,625	136,464,738						
Six years later		1,096,998,644	123,761,663	125,287,904							
Seven years later		1,097,068,527	123,795,889								
Eight years later		1,100,797,429									
Nine years later											
Cumulative payments to-date		**1,100,797,429**	**123,795,889**	**125,287,904**	**136,464,738**	**124,721,684**	**147,420,696**	**160,947,622**	**170,041,154**	**115,951,929**	**2,205,429,045**
Net general insurance contract liabilities per Statement of Financial Position	*12(i)*	**30,105,428**	**148,335**	**1,432,293**	**6,563,525**	**12,185,603**	**14,243,437**	**16,711,218**	**29,128,901**	**107,557,889**	**218,076,629**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks

Market risk arises when the market values of assets are adversely affected by changes in financial markets. Changes in interest rates, foreign exchange rates and equity prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund and the General Insurance Fund. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction, risk measurement and approving hedging strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Company's risk appetite and in line with the Company’s risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Company in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit spread risk, liquidity risk, credit risk and concentration risk, is briefly described as follows:

(i) Interest Rate Risk

The Company is exposed to interest rate risk through investments in fixed income instruments. Since the Shareholder's Fund and General Insurance Fund have exposure to investments in fixed income instruments, it will incur an economic loss when interest rates rise.

(ii) Foreign Currency Risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. In addition, net foreign currency exposure at the Company-level is limited to 10% of the total invested assets. The Company does not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some insurance policies of which premiums and/or claims are billed and paid in foreign currencies.

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31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(iii) Equity Price Risk

Exposure to equity price risk exists in assets. Asset exposure exists through equity, where the Company bears the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by having appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

(iv) Credit Spread Risk

Exposure to credit spread risk exists in the Company’s investments in corporate bonds. Credit spread is the difference between the corporate yields against the risk-free rate of similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the bonds. A widening in credit spreads will generally result in a fall in the value of the Company’s bond portfolio.

(v) Liquidity Risks

Liquidity risks arise when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough to meet its financial obligations without incurring significant losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The Company is exposed to liquidity risk from its insurance contract liabilities when actual claims development deviates from estimated claim liabilities. This is mitigated to some extent through the Company's periodic liability adequacy tests.

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Unexpected liquidity demands are managed through a combination of diversification limits, investment strategies and systematic monitoring.

Maturity Profiles

Table 31(B1): The following tables show the maturity profile of the Company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis:

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

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
2020						
Investments:						
Amortised cost	8,648,727	7,897,834	345,843	407,617	-	8,651,294
FVOCI	517,864,853	31,501,637	302,720,088	126,090,629	31,753,529	492,065,883
FVTPL	232,522,993	541,400	2,404,200	13,660,650	217,564,091	234,170,341
Reinsurance assets	168,900,376	79,487,974	69,378,373	20,034,029	-	168,900,376
Insurance receivables	83,933,925	83,933,925	-	-	-	83,933,925
Other receivables	62,474,789	14,101,908	-	48,372,881	-	62,474,789
Cash and bank balances	16,772,188	16,772,188	-	-	-	16,772,188
Total Assets	**1,091,117,851**	**234,236,866**	**374,848,504**	**208,565,806**	**249,317,620**	**1,066,968,796**
Insurance contract liabilities	389,373,459	169,872,184	152,801,435	40,021,907	26,677,933	389,373,459
Lease liabilities	15,850,067	3,618,928	12,930,754	731,148	-	17,280,830
Deposits from reinsurers	2,314,929	2,314,929	-	-	-	2,314,929
Insurance payables	57,934,022	57,934,022	-	-	-	57,934,022
Other payables	60,734,089	59,463,454	450,921	819,714	-	60,734,089
Total Liabilities	**526,206,566**	**293,203,517**	**166,183,110**	**41,572,769**	**26,677,933**	**527,637,329**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Maturity Profiles (cont'd.)

Table 31(B1): The following tables show the maturity profile of the Company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis (cont'd.):

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

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
2019						
Investments:						
Amortised cost	33,230,327	32,884,256	642,030	118,049	-	33,644,335
FVOCI	470,814,159	22,746,411	271,554,590	223,468,980	29,336,138	547,106,119
FVTPL	245,203,222	1,041,500	4,404,600	22,592,642	224,471,816	252,510,558
Reinsurance assets	167,542,668	87,647,327	59,434,741	20,460,594	6	167,542,668
Insurance receivables	64,192,063	64,192,063	-	-	-	64,192,063
Other receivables	66,281,869	15,836,540	-	50,445,329	-	66,281,869
Cash and bank balances	16,502,878	16,502,878	-	-	-	16,502,878
Total Assets	**1,063,767,186**	**240,850,975**	**336,035,961**	**317,085,594**	**253,807,960**	**1,147,780,490**
Insurance contract liabilities	385,619,297	189,292,372	134,110,892	32,573,783	29,642,250	385,619,297
Lease liabilities	14,922,400	3,542,727	11,638,063	1,331,207	-	16,511,997
Deposits from reinsurers	945,602	945,602	-	-	-	945,602
Insurance payables	43,952,458	43,952,458	-	-	-	43,952,458
Other payables	62,388,427	60,519,308	438,334	1,430,785	-	62,388,427
Total Liabilities	**507,828,184**	**298,252,467**	**146,187,289**	**35,335,775**	**29,642,250**	**509,417,781**

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Included in other receivables and other payables is the Company's share in the assets and liabilities held under MMIP as disclosed in Note 8 and Note 15. The Company's share of insurance contract liabilities from MMIP are disclosed in Note 12 of the financial statements. These balances have not been offset in the financial statements of the Company as it is the view of the Directors and Management that no legal right of set-off exists. The assets have been contributed in line with the Company's obligations under the Collective Agreement signed on 16 November 1992 and the insurance contract liabilities represent the Company's share of the Pool's insurance contract liabilities arising from insurance contracts underwritten in respect of third party policyholders collectively, under the name of MMIP. Presented below is the Company's net position of its share in the net asset held under MMIP as at year end:

	2020 RM	2019 RM
Assets/(Liabilities):		
Assets:		
- Accumulated net cash contributions to MMIP	13,849,491	16,849,491
- Other assets	34,523,390	33,595,838
Total Assets (Note 8)	48,372,881	50,445,329
Liabilities:		
- Insurance payables	(21,756)	(29,826)
- Other payables and provisions	(538,618)	(1,117,900)
Total Liabilities (Note 15)	(560,374)	(1,147,726)
Net assets held under MMIP	47,812,507	49,297,603
Insurance contract liabilities (Note 12)		
- Claim liabilities	(26,084,791)	(28,688,871)
- Premium liabilities	(1,833,615)	(2,237,442)
	(27,918,406)	(30,926,313)
Net position	**19,894,101**	**18,371,290**

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Table 31(B2): The following table shows the current and non current classification of assets and liabilities:

	Current* RM	Non-Current** RM	Total RM
2020			
Assets			
Intangible assets	-	48,916,925	48,916,925
Property and equipment			
Owned	-	3,793,548	3,793,548
Right-of-use assets	-	15,998,550	15,998,550
Investments:			
Amortised cost	7,896,099	752,628	8,648,727
FVOCI	31,755,809	486,109,044	517,864,853
FVTPL	-	232,522,993	232,522,993
Reinsurance assets	79,487,974	89,412,402	168,900,376
Insurance receivables	83,933,925	-	83,933,925
Other receivables	14,101,908	48,372,881	62,474,789
Deferred tax assets	-	-	-
Tax recoverable	1,584,586	-	1,584,586
Cash and bank balances	16,772,188	-	16,772,188
Total assets	**235,532,489**	**925,878,971**	**1,161,411,460**
Liabilities			
Insurance contract liabilities	(169,872,184)	(219,501,275)	(389,373,459)
Lease liabilities	(3,101,336)	(12,748,423)	(15,849,759)
Deposits from reinsurers	(2,314,929)	-	(2,314,929)
Insurance payables	(57,934,022)	-	(57,934,022)
Other payables	(59,578,115)	(1,155,974)	(60,734,089)
Total liabilities	**(292,800,586)**	**(233,405,672)**	**(526,206,258)**
	(57,268,097)	**692,473,299**	**635,205,202**

* *Expected utilisation or settlement within 12 months from the financial position date.*

** *Included in non-current FVOCI financial assets are quoted equity securities of RM31,753,529 with no maturity date.*

** *Included in non-current FVTPL financial assets are unquoted equity securities (RM18,026,740), perpetual debt securities (RM18,380,242) and collective investment schemes (RM182,606,113) with no maturity date.*

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Liquidity Risks (cont'd.)

Table 31(B2): The following table shows the current and non current classification of assets and liabilities: (cont'd.)

	Current* RM	Non-Current** RM	Total RM
2019			
Assets			
Intangible assets	-	23,362,329	23,362,329
Property and equipment			
Owned	-	23,587,630	23,587,630
Right-of-use assets	-	15,215,382	15,215,382
Investments:			
Amortised cost	32,470,248	760,079	33,230,327
FVOCI	3,032,580	467,781,579	470,814,159
FVTPL	11,079,200	234,124,022	245,203,222
Reinsurance assets	87,647,327	79,895,341	167,542,668
Insurance receivables	64,192,063	-	64,192,063
Other receivables	15,836,540	50,445,329	66,281,869
Deferred tax assets	-	737,617	737,617
Tax recoverable	424,141	-	424,141
Cash and bank balances	16,502,878	-	16,502,878
Total assets	**231,184,977**	**895,909,308**	**1,127,094,285**
Liabilities			
Insurance contract liabilities	(189,292,372)	(196,326,925)	(385,619,297)
Lease liabilities	(2,969,242)	(11,953,158)	(14,922,400)
Deposits from reinsurers	(945,602)	-	(945,602)
Insurance payables	(43,952,458)	-	(43,952,458)
Other payables	(60,646,913)	(1,741,514)	(62,388,427)
Total liabilities	**(297,806,587)**	**(210,021,597)**	**(507,828,184)**
	(66,621,610)	**685,887,711**	**619,266,101**

* *Expected utilisation or settlement within 12 months from the financial position date.*

** *Included in non-current FVOCI financial assets are quoted equity securities of RM29,336,138 with no maturity date.*

** *Included in non-current FVTPL financial assets are perpetual debt securities (RM55,743,485) and collective investment schemes (RM163,109,981) with no maturity date.*

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk

Credit risk is the risk that one party to a financial contract will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk mainly through (i) investment in cash, deposits and bonds, (ii) corporate lending activities, (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts and (iv) non-payment of premiums. For investment in bonds, financial loss may materialise as a result of the widening credit spread or downgrade of credit rating. For all four types of exposures, financial loss may materialise as a result of credit default by the borrower or counterparty.

The task of evaluating and monitoring credit risk arising from financial instruments is undertaken by the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk, and are reviewed on a regular basis. The creditworthiness of reinsurers, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Treaty reinsurance is placed with counterparties that have good rating while facultative reinsurance is placed with counterparties that have been carefully selected via internal guidelines to minimise the credit risk.

Credit risk in respect of non-payment of premiums past the grace period is being actively monitored and guided by strict credit control guideline.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

For corporate lending, the amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Credit risk is mitigated by entering into collateral agreements and collaterals are revalued on a periodic basis. The Company monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the Company as a lender, for which it is entitled to sell or pledge in the event of default is as follows:

	Type of Collateral	Carrying Amount of Loans RM	Fair Value of Collateral RM
2020			
Mortgage loans	Properties	-	-
Secured loans			
- Vehicle loans	Vehicle	797,012	797,012
- Computer loans	Computer	1,715	1,715
- Government guaranteed loans	Nil	-	-
		798,727	**798,727**
2019			
Mortgage loans	Properties	74,002	570,667
Secured loans			
- Vehicle loans	Vehicle	703,778	703,778
- Computer loans	Computer	5,171	5,171
- Government guaranteed loans	Nil	20,003,281	-
		20,786,232	**1,279,616**

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Table 31(C1): The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments by funds.

	Insurance Fund RM	Shareholder's Fund RM	Total RM
2020			
Financial assets at amortised cost:			
Loans	798,727	-	798,727
Deposits with licensed financial institutions	6,100,000	1,750,000	7,850,000
Financial assets at FVOCI:			
Malaysian government securities	78,806,855	3,690,930	82,497,785
Debt securities	398,352,694	5,260,845	403,613,539
Financial assets at FVTPL:			
Debt securities	30,832,266	1,028,050	31,860,316
Reinsurance assets	168,900,376	-	168,900,376
Insurance receivables	83,933,925	-	83,933,925
Other receivables	65,836,904	297,080	66,133,984
Cash and bank balances	16,659,365	112,823	16,772,188
	850,221,112	**12,139,728**	**862,360,840**
2019			
Financial assets at amortised cost:			
Loans	20,780,327	-	20,780,327
Deposits with licensed financial institutions	12,450,000	-	12,450,000
Financial assets at FVOCI:			
Malaysian government securities	35,432,020	-	35,432,020
Debt securities	403,569,905	2,476,096	406,046,001
Financial assets at FVTPL:			
Debt securities	77,089,091	4,962,395	82,051,486
Reinsurance assets	167,542,668	-	167,542,668
Insurance receivables	64,192,063	-	64,192,063
Other receivables	65,995,044	509,032	66,504,076
Cash and bank balances	15,993,126	509,752	16,502,878
	863,044,244	**8,457,275**	**871,501,519**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Table 31(C2): The following table sets out information about the credit quality of financial assets measured at amortised cost and debt securities at FVOCI. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For loan commitments, the amounts in the table represent the amounts committed.

For explanation of the terms: "12-month ECL", "lifetime ECL" and "credit-impaired", refer to Note 31(vi).

	2020			
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
Loans at amortised cost				
Government guaranteed and low risk bonds	-	-	-	-
Not rated	798,727	-	-	798,727
	798,727	-	-	798,727
Loss allowance	-	-	-	-
Carrying amount	**798,727**	**-**	**-**	**798,727**
Debt securities at FVOCI				
Government guaranteed and low risk bonds	253,807,206	-	-	253,807,206
Investment grade (BBB to AAA)	202,979,560	29,324,558	-	232,304,118
Non-investment grade (C to BB)	-	-	-	-
	456,786,766	29,324,558	-	486,111,324
Loss allowance	(1,078,595)	(861,446)	-	(1,940,041)
Carrying amount	**455,708,171**	**28,463,112**	**-**	**484,171,283**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Table 31(C2): The following table sets out information about the credit quality of financial assets measured at amortised cost and debt securities at FVOCI. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For loan commitments, the amounts in the table represent the amounts committed. (cont'd.)

For explanation of the terms: "12-month ECL", "lifetime ECL" and "credit-impaired", refer to Note 31(vi).

	2019			
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
Loans at amortised cost				
Government guaranteed and low risk bonds	20,003,281	-	-	20,003,281
Not rated	782,951	-	-	782,951
	20,786,232	-	-	20,786,232
Loss allowance	(5,905)	-	-	(5,905)
Carrying amount	**20,780,327**	**-**	**-**	**20,780,327**
Debt securities at FVOCI				
Government guaranteed and low risk bonds	205,757,070	-	-	205,757,070
Investment grade (BBB to AAA)	207,947,629	33,391,672	-	241,339,301
Non-investment grade (C to BB)	-	-	-	-
	413,704,699	33,391,672	-	447,096,371
Loss allowance	(527,357)	(1,333,984)	-	(1,861,341)
Carrying amount	**413,177,342**	**32,057,688**	**-**	**445,235,030**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure By Credit Rating

Table 31(C3): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties:

	Neither past-due nor impaired					
	Government guaranteed/ Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
2020						
Financial assets at amortised cost:						
Loans	-	-	798,727	-	-	798,727
Deposits with licensed financial institutions	7,850,000	-	-	-	-	7,850,000
Financial assets at FVOCI:						
Malaysian government securities	82,497,785	-	-	-	-	82,497,785
Debt securities	403,613,539	-	-	-	-	403,613,539
Financial assets at FVTPL:						
Debt securities	31,860,316	-	-	-	-	31,860,316
Reinsurance assets	131,863,146	7,581,082	29,456,148	-	-	168,900,376
Insurance receivables	5,328,594	-	33,947,947	-	44,657,384	83,933,925
Other receivables	12,863,661	-	53,270,323	-	-	66,133,984
Cash and bank balances	16,772,188	-	-	-	-	16,772,188
	692,649,229	**7,581,082**	**117,473,145**	**-**	**44,657,384**	**862,360,840**

* *Based on internal ratings grades which are equivalent to grades of external rating agencies*

** *An aging analysis for financial assets past due is provided on page 150.*

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 31(C3): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties: (cont'd.)

	Neither past-due nor impaired					
	Government guaranteed/ Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
2019						
Financial assets at amortised cost:						
Loans	19,997,376	-	782,951	-	-	20,780,327
Deposits with licensed financial institutions	12,450,000	-	-	-	-	12,450,000
Financial assets at FVOCI:						
Malaysian government securities	35,432,020	-	-	-	-	35,432,020
Debt securities	406,046,001	-	-	-	-	406,046,001
Financial assets at FVTPL:						
Debt securities	82,051,486	-	-	-	-	82,051,486
Reinsurance assets	137,304,728	-	30,237,940	-	-	167,542,668
Insurance receivables	1,393,398	-	23,317,527	-	39,481,138	64,192,063
Other receivables	13,618,163	-	52,885,913	-	-	66,504,076
Cash and bank balances	16,502,878	-	-	-	-	16,502,878
	724,796,050	**-**	**107,224,331**	**-**	**39,481,138**	**871,501,519**

* *Based on internal ratings grades which are equivalent to grades of external rating agencies*
** *An aging analysis for financial assets past due is provided on page 150.*

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 31(C4): The table below provides aging analysis of financial assets that are past due at the financial position date:

Aging Analysis of financial assets past due:

	Past-due but not impaired							
	<30 days RM	31 to 60 days RM	61 to 90 days RM	91 to 180 days RM	More than 180 days RM	Total RM	Past due and impaired RM	Total past due RM
2020								
Insurance Receivables	12,727,188	11,135,631	6,499,296	12,741,245	1,554,024	44,657,384	4,743,755	49,401,139
2019								
Insurance Receivables	8,522,651	13,708,491	6,447,071	9,272,823	1,530,102	39,481,138	4,732,743	44,213,881

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

Receivables that are past due but not impaired are unsecured in nature.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

This disclosure below relates to MFRS 9 which came into effect in 2018.

Amounts Arising From ECL

Measurement of ECL - Explanation Of Inputs, Assumptions And Estimation Techniques

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

- probability of default (“PD”);
- loss given default (“LGD”); and
- exposure at default (“EAD”).

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

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

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

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

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current and potential future exposure to the counterparty. The EAD of a financial asset is its gross carrying amount.

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Amounts Arising From ECL (cont'd.)

Measurement of ECL - Explanation Of Inputs, Assumptions And Estimation Techniques (cont'd.)

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

The trade and lease receivables are in scope for ECL impairment provisions using the simplified assumption of lifetime ECL.

Significant Increase In Credit Risk

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative model, the 12M PD is determined to have increased by more than 100% since origination. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Significant Increase In Credit Risk (cont'd.)

Using its experienced credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Company uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

The Company considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

Quantitative criteria

For insurance receivables, the counterparty fails to make contractual payments within 12 months when they fall due, which are derived based on the Company's historical information. For bonds and loans, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to the Company.

Qualitative criteria

The counterparty is either bankrupt or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within a given timeframe.

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

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Incorporating Of Forward-Looking Information

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

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

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

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

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Loss Allowance - Provision For ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	2020				2019			
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
Loans at amortised cost								
Opening balance	5,905	-	-	5,905	5,507	-	-	5,507
Net remeasurement of loss allowance	-	-	-	-	(3)	-	-	(3)
New financial assets purchased	-	-	-	-	-	-	-	-
Financial assets that have been derecognised	(5,905)	-	-	(5,905)	-	-	-	-
Changes in models/risk parameters	-	-	-	-	401	-	-	401
Closing balance	**-**	**-**	**-**	**-**	**5,905**	**-**	**-**	**5,905**
Debt securities at FVOCI								
Opening balance	527,357	1,333,984	-	1,861,341	356,843	1,695,517	-	2,052,360
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Additional loss allowance due to transfer	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	71,578	(284,380)	-	(212,802)	81	(93,315)	-	(93,234)
New financial assets purchased	273,547	-	-	273,547	286,306	-	-	286,306
Financial assets that have been derecognised	(375,329)	-	-	(375,329)	(156,072)	(290,152)	-	(446,224)
Changes in models/risk parameters	581,442	(188,158)	-	393,284	40,199	21,934	-	62,133
Closing balance	**1,078,595**	**861,446**	**-**	**1,940,041**	**527,357**	**1,333,984**	**-**	**1,861,341**

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Loss Allowance - Provision For ECL (cont'd.)

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. (cont'd.)

	2020				2019			
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
Other receivables								
Opening balance	-	-	-	-	-	26,917	-	26,917
Net remeasurement of loss allowance	-	-	-	-	-	(26,917)	-	(26,917)
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vii) Concentration Risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its asset mix to ensure that there is no significant concentration of credit risk.

(viii) Sensitivity Analysis On Financial Risks

The sensitivity analysis below shows the impact on the Company's net profit after taxation by applying possible shocks to each key variable with all other variables held constant. While the co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets, to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the statement of profit or loss, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value of financial assets measured at FVOCI.

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(viii) Sensitivity Analysis On Financial Risks (cont'd.)

The table below shows the market risk sensitivity analysis:

	2020			2019		
	Changes in variable	Impact on profit after taxation RM'000	Impact on equity* RM'000	Changes in variable	Impact on profit after taxation RM'000	Impact on equity* RM'000
Equity	+20%	2	4,832	+20%	3	4,468
(KLCI)	-20%	(2)	(4,832)	-20%	(3)	(4,468)
Interest rate	Yield curve +50 bps	(258)	(14,448)	Yield curve +100 bps	(710)	(15,639)
	Yield curve -50 bps	258	14,639	Yield curve -100 bps	710	15,858
Credit	Spread +100 bps	-	(24,393)	Spread +100 bps	-	(24,962)
spread	Spread -100 bps	-	24,986	Spread -100 bps	-	25,709

* *The impact on equity reflects the after taxation impact, when applicable.*

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Operational, Market Conduct And Compliance 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.

Market conduct risk is an event or action that may potentially impact partly or completely the achievement of the Company’s objectives arising from its personnel and intermediaries not conducting themselves in accordance with the ethical standards and in compliance with the relevant laws and regulations governing insurance product for pre-sales, during sales and after sales process. It is synonymous with professional behaviour and customer's protection. There are four areas in which the Company continuously strengthens:

- Fit and Proper
- Sales Advisory Process
- Training and Competency
- Business Conduct

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company’s objectives, as a result of its failure to comply with the following applicable laws, regulations and standards:

- Laws, regulations and rules governing insurance business and regulated financial licensed activities undertaken by the Company;
- Codes of practice promoted by industry associations of which the Company is a member of; and
- Any other applicable regulations which do not specifically govern the licensed activities undertaken by the Company but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational, market conduct and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT regularly reviews and monitors these issues at its monthly meetings. The Internal Audit team regularly reviews the systems of internal control to assess their ongoing relevance and effectiveness , and reports at least quarterly to the Board Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational, market conduct and compliance risks.

NOTES TO THE FINANCIAL STATEMENTS

31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure and capacity deficiency arising from the use of technologies such as electronic hardware/devices, software, online networks and telecomunication systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

The Company adopts a risk based approach in managing technology, information and cyber risks relating to data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privileged access missuse, system security vulnerabilities, system breakdown and availability, and technology obsolescence. Key risk indicators related to technology, information and cyber risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology, information and cyber risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

NOTES TO THE FINANCIAL STATEMENTS

32. FAIR VALUES OF ASSETS AND LIABILITIES

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Fair Values Hierarchy

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2020			
Assets measured at fair value on a recurring basis:			
Financial assets at FVOCI:			
Malaysian government securities	-	82,497,785	82,497,785
Debt securities	-	403,613,539	403,613,539
Quoted equity securities	31,753,529	-	31,753,529
Financial assets at FVTPL:			
Debt securities	-	31,860,316	31,860,316
Quoted equity securities	29,825	-	29,825
Unquoted equity securities	-	18,026,740	18,026,740
Collective investment schemes			
- Investment in subsidiary	-	-	-
- Investment in others	-	182,606,112	182,606,112
	31,783,354	**718,604,492**	**750,387,846**

NOTES TO THE FINANCIAL STATEMENTS

32. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D.)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (cont'd.)

Fair Values Hierarchy (cont'd.)

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2019			
Assets measured at fair value on a recurring basis:			
Financial assets at FVOCI:			
Malaysian government securities	-	35,432,020	35,432,020
Debt securities	-	406,046,001	406,046,001
Quoted equity securities	29,336,138	-	29,336,138
Financial assets at FVTPL:			
Debt securities	-	82,051,486	82,051,486
Quoted equity securities	41,755	-	41,755
Collective investment schemes			
- Investment in subsidiary	-	105,859,762	105,859,762
- Investment in others	-	57,250,219	57,250,219
	29,377,893	**686,639,488**	**716,017,381**

NOTES TO THE FINANCIAL STATEMENTS

32. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D.)

Valuation Techniques

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

The following is a description of the method by which the fair values of financial instruments which are recorded at fair value are determined using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments:

FVOCI /FVTPL Financial Assets

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

Investments in financial instruments with embedded derivatives consist of investments in structured deposits. The fair values of structured deposits are determined by reference to banks' valuation at the close of business on the financial position date.

For investment in Collective Investment Schemes, fair values are determined by reference to published net asset values.

33. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2020, as prescribed under the RBC Framework is provided below:

	2020 RM	2019 RM
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	364,721,359	295,697,237
	464,721,359	395,697,237
Tier 2 Capital:		
Eligible Reserves	15,729,939	7,286,699
Deductions	(48,916,925)	(24,606,518)
Total Capital Available	**431,534,373**	**378,377,418**

NOTES TO THE FINANCIAL STATEMENTS

34. CONTINGENT LIABILITY

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision on an alleged infringement by the General Insurance Association of Malaysia ("PIAM") and its 22 members under the Section 4(2)(a) of the Competition Act 2010 ("the Act"). MyCC's Proposed Decision is with respect to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") in respect to the trade discount rates for parts of certain vehicle makes and labour rates for workshops under the PIAM Approved Repairers Scheme.

A final decision dated 14 September 2020 was issued by the MyCC with a finding of infringement and the general insurance industry was imposed a financial penalty of about RM130 million. For GEGM, specifically, the financial penalty imposed is in the sum of RM1.9mil. The Company has filed its appeal against the MyCC's final decision on 13 October 2020 and a stay application (pending disposal of the appeal) on 6 November 2020. Competition Appeal Tribunal has fixed 23 March 2021 for delivery of the decision in respect of the Stay Application.

The Management of the Company believes that the criteria to disclose the above as a contingent liability is met. Except as disclosed above, the Company does not have any other contingent assets or liabilities.

35. SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

We view the COVID-19 pandemic as an evolving situation with continued uncertainties that could impact the performance of the Company. There are still many unknowns surrounding the pandemic and the timing of its eradication remains uncertain. The impact to our business operations would hinge on each government's response to manage the health and economic effects of the pandemic.

FURTHER INFORMATION ON DIRECTORS

NORMAN KA CHEUNG IP

Shareholding in the Company
Nil

Current Directorships (and Appointments)

Far Island Bay Sdn Bhd#	Chairman
Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
Great Eastern Life Assurance (Malaysia) Berhad	Chairman
Great Eastern Takaful Berhad	Chairman
I Great Capital Holdings Sdn Bhd	Chairman
Overseas Assurance Corporation (Holdings) Berhad	Chairman
Great Eastern General Insurance Limited	Director
Great Eastern Holdings Limited*	Director
The Great Eastern Life Assurance Company Limited	Director
Building and Construction Authority	Deputy Chairman
Securities Industry Council	Member

Under Members Voluntary Liquidation
* Listed Company

Academic and Professional Qualifications
Bachelor of Science (Economics), London School of Economics and Political Science
Fellow of the Institute Chartered Accountants in England and Wales
Fellow of the Institute of Singapore Chartered Accountants

Board Committees Served on
Member, Board Nominations and Remuneration Committee
Member, Board Audit Committee

FURTHER INFORMATION ON DIRECTORS

KOH POH TIONG

Shareholding in the Company
Nil

Current Directorships (and Appointments)

Bukit Sembawang Estates Limited*	Chairman
Saigon Beer Alcohol Beverage Corporation* (“SABECO”)	Chairman
BeerCo Limited	Chairman
Singapore Kindness Movement	Chairman
Times Publishing Limited	Chairman
Fraser and Neave Limited*	Director & Advisor
Delfi Limited*	Director
Great Eastern Life Assurance (Malaysia) Berhad	Director
Raffles Medical Group Limited*	Director

* Listed Companies

Academic and Professional Qualifications
Bachelor of Science, University of Singapore

Board Committee Served on
Chairman, Board Nominations and Remuneration Committee

MIMI HO

Shareholding in the Company
Nil

Current Directorships (and Appointments)

The Great Eastern Life Assurance Company Limited	Director
Great Eastern General Insurance Limited	Director
Partners Reinsurance Asia Pte Ltd	Director

Academic and Professional Qualifications
Master in Mathematical Statistics, Columbia University, United States of America
Bachelor in Mathematics, Columbia University, United States of America
Fellow of the Society of Actuaries, United States of
America Financial Industry Certified Professional (FICP), Singapore

Board Committees Served on
Member, Board Audit Committee
Member, Board Risk Management Committee

FURTHER INFORMATION ON DIRECTORS

KHOR HOCK SENG

Shareholding in the Company
Nil

Current Directorships (and Appointments)

Great Eastern Financial Advisers Private Limited	Chairman
Lion Global Investors Limited	Chairman
PT Great Eastern Life Indonesia	President Commissioner
PT Great Eastern General Insurance Indonesia	President Commissioner
Great Eastern Capital (Malaysia) Sdn Bhd	Director
Great Eastern Life Assurance (Malaysia) Berhad	Director
Great Eastern International Private Limited	Director
Great Eastern Takaful Berhad	Director
I Great Capital Holdings Sdn Bhd	Director
Overseas Assurance Corporation (Holdings) Berhad	Director
The Great Eastern Trust Private Limited	Director
218 Orchard Private Limited	Director
Financial Industry Disputes Resolution Centre Ltd	Director
Life Insurance Association Singapore	President
Institute of Banking and Finance	Council Member
Financial Sector Tripartite Committee	Member
Singapore College of Insurance	Board of Governors

Academic and Professional Qualifications
Bachelor of Art (Majoring in Actuarial Science and Statistics), Macquarie University Sydney, Australia
Certificate of Actuarial Techniques, Institute of Actuaries, London

Board Committee Served on
Nil

FURTHER INFORMATION ON DIRECTORS

Y BHG DATUK KAMARUDDIN BIN TAIB

Shareholding in the Company
Nil

Current Directorships (and Appointments)

GHL Systems Berhad*	Chairman
HSBC Amanah Malaysia Berhad	Chairman
Fraser & Neave Holdings Berhad*	Director
Malaysia Smelting Corporation Berhad*	Director
RAM Holdings Berhad	Director
DNV GL Malaysia Sdn Bhd	Director
Boost Holdings Sdn Bhd	Director
FIDE FORUM	Director
Harta Maksud Sdn Bhd	Director
Maksud Sdn Bhd	Director

* Listed Companies

Academic and Professional Qualifications
Bachelor of Science in Mathematics, University of Salford, United Kingdom

Board Committees Served on
Chairman, Board Risk Management Committee
Member, Board Nominations and Remuneration Committee

TAN FONG SANG

Shareholding in the Company
Nil

Current Directorships (and Appointments)

Fraser & Neave Holdings Berhad	Director
Crystal Coast Sdn Bhd	Director

Academic and Professional Qualifications
Bachelor of Accounting, National University of Malaysia
Chartered Accountant registered with the Malaysian Institute of Accountants

Board Committee Served on
Chairman, Board Audit Committee

FURTHER INFORMATION ON DIRECTORS

MICHAEL LAI

Shareholding in the Company
Nil

Current Directorships (and Appointments)

G3 Global Berhad*	Director

* Listed Company

Academic and Professional Qualifications
Master of Business Administration, Oklahoma State University, United States of America
Bachelor of Electrical Engineering, Queen's University, Canada

Board Committee Served on
Member, Board Risk Management Committee

A member of the OCBC Group

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