

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
198301007025 (102249-P)
(A Member of Great Eastern Holdings Limited)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
For the financial year ended 31 December 2021

198301007025 (102249-P)

**GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)**

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

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

RESULTS

	RM
Net profit for the year	<u>45,143,892</u>

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.

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DIVIDENDS

The amounts of dividend paid by the Company since 31 December 2020 were as follows:

	RM
In respect of the financial year ended 31 December 2020 as reported in the Directors' report of that year:	
Final single-tier dividend of RM0.55 per ordinary share on 100,000,000 ordinary shares paid on 4 May 2021	<u>55,000,000</u>

At the forthcoming Annual General Meeting (“AGM”) of the Company, a final single-tier dividend in respect of the financial year ended 31 December 2021 of RM0.45 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM45,000,000 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 2022.

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
Mr Khor Hock Seng
Y Bhg Datuk Kamaruddin bin Taib
Mdm Tan Fong Sang
Mr Lai Chin Tak

In accordance with Clause 74 of the Company's Constitution, Mdm Tan Fong Sang and Mr Lai Chin Tak respectively would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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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 2021 pursuant to Section 289 of the Companies Act, 2016. The cost of insurance effected for the Directors and officers of the Company amounted to RM34,073.

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			
	<u>1.1.2021</u>	<u>Acquired</u>	<u>Disposed</u>	<u>31.12.2021</u>
(a) Ordinary shares of OCBC Bank				
Mr Norman Ka Cheung Ip	4,585	29	-	4,614
Mr Khor Hock Seng	542,131	84,465	(40,000)	586,596
Mdm Tan Fong Sang	51,354	9,919	-	61,273
Ms Mimi Sze Ho	2,720	36	-	2,756

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DIRECTORS' INTERESTS (CONT'D.)

	Shareholdings in which Directors are deemed to have an interest			
	<u>1.1.2021</u>	<u>Granted</u>	<u>Vested</u>	<u>31.12.2021</u>
Mr Khor Hock Seng	243,452	99,646	(77,012)	266,086 ⁽¹⁾
Ms Mimi Sze Ho	11,208	149	-	11,357
Mr Norman Ka Cheung Ip	10,204	136	-	10,340 ⁽²⁾

Notes:

- (1) *Deemed interest arising from OCBC Deferred Share Plan.*
(2) *Deemed interest arising from spouse.*

Options held by Directors in their own name

	<u>1.1.2021</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.2021</u>
(b) Options to subscribe for ordinary shares of OCBC Bank				
Mr Khor Hock Seng	449,217	-	(177,082)	272,135
Mdm Tan Fong Sang	19,192	-	(9,113)	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.

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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.

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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 except for contingent liability disclosed in Note 34.
- (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.

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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 2022.



Tan Fong Sang
Director



Datuk Kamaruddin bin Taib
Director

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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 continues to enhance its standards of the overall governance.

BOARD MATTERS

The Board’s Conduct of Affairs

The prime stewardship responsibility of the Board is to ensure the viability and sustainability of the Company and to ensure that it is managed in the best interests of the Company as a whole while taking into account the interests of the shareholders and other stakeholders. The Company has a Board Charter approved by the Board.

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) 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;
- (c) ensuring that interests of shareholders, policyholders and other stakeholders are taken into account in managing the Company’s business;
- (d) ensuring that the necessary human resources are in place for the Company to achieve its objectives;
- (e) ensuring that the Company operates 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;
- (f) reviewing and approving any transaction for the acquisition or disposal of assets that is material to the Company;

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BOARD MATTERS (CONT'D.)

The Board's Conduct of Affairs (cont'd.)

- (g) 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;
- (h) 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;
- (i) 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;
- (j) overseeing through the Board Nominations and Remuneration Committee, the selection, performance, remuneration and succession planning of the Senior Officers¹ and Non-Senior Officers², such that the Board is satisfied with their collective competence to effectively lead the operations of the Company;
- (k) 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;
- (l) overseeing, through the Board Nominations and Remuneration Committee, the design and operation of an appropriate remuneration framework and ensuring that the remuneration practices are aligned with the remuneration framework;
- (m) reviewing Management's performance and ensuring that Management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- (n) maintaining records of all meetings of the Board and Board Committees, especially with regards to records of discussions on key deliberations and decisions taken;

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.

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BOARD MATTERS (CONT'D.)

The Board's Conduct of Affairs (cont'd.)

- (o) 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;
- (p) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- (q) 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
- (r) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

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 their 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 the issues of conflict.

Board Approval

The Company has adopted internal guidelines 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 and Management to optimise operational efficiency.

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BOARD MATTERS (CONT'D.)

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 Audit Committee, Board Nominations and Remuneration Committee and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved terms of reference.

The 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 the 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 the Board Committees are set out below.

Board Audit Committee

Under the CG PD, the Board Audit Committee is required to comprise at least three Non-Executive Directors, with a 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 Board Audit Committee has explicit authority to investigate any matters within its terms of reference and has the full co-operation of and access to Management. The Board Audit Committee has full discretion to invite any Director or Senior Officer to attend its meetings. It has resources to enable it to discharge its functions properly.

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during 2021 included the following:

- (a) Reviewed with the Internal Auditors –
 - (i) their audit plan, evaluation of the system of internal controls and 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.

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BOARD MATTERS (CONT'D.)

Board Audit Committee (cont'd.)

- (b) Reviewed with the External Auditors –
 - (i) their audit plan prior to the commencement of the annual audit;
 - (ii) 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.
- (c) Reviewed the adequacy, independence and effectiveness of the outsourced internal audit function.
- (d) Maintained an appropriate relationship with both the internal and external auditors.
- (e) Recommended the re-appointment of the external auditor to the Board.
- (f) Recommended the remuneration and terms of engagement of the external auditor to the Board.
- (g) Reviewed and updated the Board on all related-party transactions.
- (h) Monitored compliance with the COI Guide.

The Board Audit Committee, in performing its functions, meets at least once annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately.

The Board Audit Committee held a total of four meetings in 2021. By invitation, the Board Audit Committee meetings were also attended by the internal and external auditors, Executive Director, Group Chief Financial Officer, Group Chief Internal Auditor and relevant Senior Officers.

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BOARD MATTERS (CONT'D.)

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 a 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 and re-nominations of Directors on the Board and Board Committees. It also reviews nominations and dismissals or resignations of Senior Officer and Non-Senior Officer positions in the Company.

The Board Nominations and Remuneration Committee is also responsible to recommend to the Board for endorsement a framework of Directors' fees, as well as remuneration of the Senior Officers and Non-Senior Officers. For Senior Officers and Non-Senior Officers, the framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits. The Board Nominations and Remuneration Committee also ensures that the Company's remuneration policies and practices are aligned with the approved framework and that remuneration packages are appropriate to attract, retain and motivate the Senior Officers and Non-Senior Officers without being excessive.

The Board Nominations and Remuneration Committee held a total of six meetings in 2021.

Board Risk Management Committee

Under the CG PD, the Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with a 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.

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BOARD MATTERS (CONT'D.)

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, market, credit, liquidity, insurance, operational, technology, cyber security, information/data loss, regulatory and compliance, and any other category of risks); as well as 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; 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 Departments of Great Eastern Life Assurance (Malaysia) Berhad (“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.

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BOARD MATTERS (CONT'D.)

Board Risk Management Committee (cont'd.)

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

The Board Risk Management Committee held a total of six meetings (comprising five scheduled and one ad hoc meeting) in 2021.

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

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 significant 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 2021, the Board convened eight Board Meetings.

Meetings of the Board and Board Committees via telephone, video conference, or any other similar communications equipment are permitted by the Company's Constitution. If a Director is unable to attend a Board or Board Committee meeting, he will still be able to access all the papers and materials to be tabled for discussion at that meeting. Directors are provided with complete, adequate and timely information related to agenda items before each meeting. Directors are also equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials.

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 2021 and the attendance of the Directors at those meetings are tabulated below:

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BOARD MATTERS (CONT'D.)

Meetings and Directors' Attendance (cont'd.)

Directors' attendance at Board and Board Committee meetings in 2021

	Board		Board Risk Management Committee			
	No. of Meetings		No. of Meetings			
	Scheduled		Scheduled		Ad hoc	
Name of Director	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip	8	8	-	-	-	-
Mr Koh Poh Tiong	8	8	-	-	-	-
Ms Mimi Sze Ho	8	8	5	5	1	1
Mr Khor Hock Seng	8	8	-	-	-	-
Y Bhg Datuk Kamaruddin bin Taib	8	8	5	5	1	1
Mdm Tan Fong Sang	8	8	-	-	-	-
Mr Lai Chin Tak	8	8	5	5	1	1

	Board Nominations and Remuneration Committee		Board Audit Committee	
	No. of Meetings		No. of Meetings	
	Scheduled		Scheduled	
Name of Director	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip	6	6	4	4
Mr Koh Poh Tiong	6	6	-	-
Ms Mimi Sze Ho	-	-	4	4
Mr Khor Hock Seng	-	-	-	-
Y Bhg Datuk Kamaruddin bin Taib	6	6	-	-
Mdm Tan Fong Sang	-	-	4	4
Mr Lai Chin Tak	-	-	-	-

Notes:

(-) Not applicable to the Non-Member of the respective Board Committees.

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BOARD MATTERS (CONT'D.)

Directors' attendance at Board and Board Committee meetings in 2021 (cont'd.)

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

There was one Joint Board Audit Committee – Board Risk Management Committee meetings held in 2021. Directors' attendance at this meeting 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.

Total number of ad hoc meeting held in 2021 – Board Risk Management Committee: 1.

Access to Information

The 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 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 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. All engagements of external advisers are at the Company's expense.

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BOARD MATTERS (CONT'D.)

Board Orientation and Development

A formal appointment letter will be issued to a newly appointed Director, together with a Director's Orientation Kit which will include key information of 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 briefing sessions 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 Company arranges for new Directors to be briefed on areas such as accounting, risk management and insurance; and facilitates their attendance at the mandatory "Financial Institutions Directors' Education ("FIDE") Core Programme within one 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.

The Company arranges for and funds the training and development programmes for existing and new Directors. The Company also maintains formal records of the training and development received by its Directors.

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.

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BOARD MATTERS (CONT'D.)

Board Orientation and Development (cont'd.)

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 virtually/online:

- Board Educational Series:
 - Cybersecurity Trends: Keeping Up with 2021 New Normal
 - Environmental, Social and Governance
 - IT Security Roadmap
 - Responsible Investments
 - Sanctions Screening and Getting Ready for Dawn Raids
 - Security Operations Centre & Security Monitoring
 - What, Why and How of Reinsurance in General Insurance
- Webinar:
 - Annual Dialogue with Governor of BNM
 - Artificial Intelligence (AI) for Company Directors and Executives
 - BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know
 - BNM-FIDE FORUM Dialogue on RMiT Implementation
 - BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on
 - BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
 - BNM-FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector
 - BNM-FIDE FORUM Dialogue: The Role of Independent Director in Embracing Present and Future Challenges
 - Board's Role in the Changing World of Work
 - BURSA-FIDE FORUM Dialogue on Sustainability
 - Climate Change: Impact on Banks & Role of the Board
 - Digital Transformation Executive Program
 - FIDE FORUM's Board Effectiveness Evaluation Industry Briefing (Session 1)
 - Governance in Groups
 - Rethinking Our Approach to Cyber Defence in Fis
 - Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?
 - SC's Audit Oversight Board Conversation with Audit Committees
 - SC-FIDE FORUM Dialogue on Capital Market Plan 3
 - The Board's role and responsibilities in Crisis Communication
 - The 2050 Net Zero Carbon Emissions Target: Finance's Role
 - Understanding Board Decision-Making Process

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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.

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

Key Information on Directors

Key information on the Director's qualifications, background, directorships and appointments are provided under the section "Board of Directors" of the Company's Annual Report³. 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 2021 ("FY2021"). 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 the 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 or her independent judgment. An Independent Director of the Company must be one who himself or herself or any person linked to him or 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 Board⁴. Each Director is required to abstain from the Board Nominations and Remuneration Committee's and the Board's deliberations respectively on his own independence.

Under the CG PD, the Board is required to comprise a majority of Independent Directors at all times.

³ Available at the Company's website at <https://www.greasterngeneral.com/my/en/index.html>.

⁴ CG PD provides for tenure limits of independent directors to generally not exceed nine years.

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BOARD COMPOSITION AND GUIDANCE (CONT'D.)

Board Composition and Independence (cont'd.)

The Company's Board comprises a majority of Independent Directors. The Board Nominations and Remuneration Committee determines annually whether a Director is independent. Taking into consideration the definition of "independence" of a Directors under the CG PD, the Board Nominations and Remuneration Committee has determined that the Company's Independent Directors are currently 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.

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

The current Board complies with the requirements on Board composition and Board independence under the CG PD. Six out of the seven Board members are Independent Directors.

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, experience 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 balance 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.

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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 its 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. The Board reviews the CEO’s performance against his performance targets annually.

BOARD MEMBERSHIP

Process for Appointment of New Directors and 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 field of expertise relevant to the Company, as well as his or 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.

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BOARD MEMBERSHIP (CONT'D.)

Process for Appointment of New Directors and Re-appointment of Existing Directors (cont'd.)

The proposed candidate is required to confirm that he or she is not an active politician as defined in the CG PD. Further, he or she must not have prior involvement as an external auditor for the Company either in the capacity of an officer who is directly involved in the Company's engagement or partner of the external auditor firm; until at least two years after he or she ceases to be an officer or partner of the external auditor firm or the firm last served as an auditor of the Company. The proposed candidate expected to provide such confirmation to BNM prior to their respective appointment and re-appointment as Director.

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 or 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 or she is a fit and proper person for the office, taking into account his or 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.

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

All 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. Pursuant to the Company's Constitution, newly appointed Directors will hold office until the next Annual General Meeting and, if eligible, can stand for re-appointment. Retiring Directors are eligible for re-election when re-nominated by the Board Nominations and Remuneration Committee, taking into account their expertise, knowledge and commitment, and their contributions to Board discussions and to the effectiveness of the Board.

The Directors who are retiring by rotation under Clause 74 of the Company's Constitution and standing for re-election at the 2022 Annual General Meeting are Mdm Tan Fong Sang and Mr Lai Chin Tak.

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BOARD MEMBERSHIP (CONT'D.)

Re-election and Re-appointment of Directors at Annual General Meeting (cont'd.)

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 "Board of Directors" of this Annual Report³. 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 or her duties as a Director of the Company.

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 and industry best practices. In 2021, 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 2021 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.

³ Available at the Company's website at <https://www.greasterngeneral.com/my/en/index.html>.

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REMUNERATION MATTERS

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 tasked to review and recommend to the Board, the general remuneration policy/framework as well as the specific remuneration of each Director and for each Senior Officers and Non-Senior Officers. No Director is involved in the deliberation regarding any remuneration, compensation or any form of benefits to be granted to himself or herself.

Level and Mix of Remuneration

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 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 earlier Board-approved fee structure, before recommending any proposed changes to the Board for endorsement. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting.

The Board Nominations and Remuneration Committee has considered the market practices for Non-Executive Director remuneration, and on its recommendation, the Board has decided to use the same fee structure for computing the fee for each Non-Executive Director for the FY2021 as that used in the previous financial year (in the following table):

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REMUNERATION MATTERS (CONT'D.)

Remuneration of Non-Executive Directors (cont'd.)

		Annual Retainer
Board	Chairman	RM130,000*
	Member	RM65,000*
Board Committees	<u>Chairman:</u> <ul style="list-style-type: none"> • Board Audit Committee • Board Risk Management Committee 	RM50,900*
	<u>Member:</u> <ul style="list-style-type: none"> • Board Audit Committee • Board Risk Management Committee 	RM25,400*
	<u>Chairman:</u> <ul style="list-style-type: none"> • Board Nominations and Remuneration Committee 	RM45,000*
	<u>Member:</u> <ul style="list-style-type: none"> • Board Nominations and Remuneration Committee 	RM27,000*
	Attendance fees per Board or Board Committee meeting	

* 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.

Attendance fees are paid to Non-Executive Directors to recognise their contributions and time spent in attending meetings.

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, the 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 the 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 FY2021.

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REMUNERATION MATTERS (CONT'D.)

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

In such annual 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 unit 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 Key Performance Indicators, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.

Disclosure on Remuneration

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.

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REMUNERATION MATTERS (CONT'D.)

Disclosure on Remuneration (cont'd.)

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 inputs 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.

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

Share-based incentives

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 had ceased the granting of OCBC share options to eligible executives from 2019 for the 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.

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REMUNERATION MATTERS (CONT'D.)

Disclosure of Directors' and CEO Remuneration

The total Directors' and CEO's Remuneration in respect of FY2021 is shown under Note 22 of the Notes to the Financial Statements. Non-Executive Directors will be paid Directors' Fees totaling RM965,651 in respect of FY2021, subject to shareholders' approval at the 2022 Annual General Meeting.

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 FY2021:

	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration				
- Cash-based	7	2,926,500.00	-	-
- Other	1	19,600.00	-	-
Variable remuneration				
- Cash-based	6	1,005,980.00		
- Share and share-linked instruments	5	210,596.75	4	12,795 units (Deferred Share, Share Option and Employee Share Purchase Plan)
- Other	7	670,528.99	-	-

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INTERNAL CONTROL FRAMEWORK

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.

Risk Management

The Board is responsible for the governance of risk. It sets the tone for the Company's risks culture and monitors, through the Board Risk Management Committee, the effectiveness and adequacy of the risk management processes and systems of the Company. The Board approves the Company's risk appetite and has oversight of the risk activities to ensure that the Company's strategic intent, operating environment, internal control mechanisms and capital sufficiency are consistent with the Company's risk appetite and regulatory standards. Further details of the Enterprise Risk Management Framework implemented by the Company are set out in Note 31 of the Notes to the Financial Statements.

The Board emphasises the importance of institutionalising a strong risk culture within the Company. As a subset of the broader organisational culture, a strong risk culture supports appropriate risk awareness, bolsters effective risk management and promotes sound risk taking to ensure the Company's risk profile remains within its risk appetite. The Board also approves the risk culture principles and, along with it, the set of desired risk culture behaviours to support the target risk culture throughout the Company.

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.

Internal Controls

The Board is responsible for ensuring that the Company's system of internal controls is adequate to safeguard stakeholders' interests and the Company's assets. The Company has in place, self-assessment processes for all business units to assess the adequacy and effectiveness of their systems and processes of internal controls, and their level of compliance with applicable rules and regulations. The results of evaluation 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, the Board Risk Management Committee and the Board for notation.

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INTERNAL CONTROL FRAMEWORK (CONT'D.)

Internal Controls (cont'd.)

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. Therefore, the Board notes 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.

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.

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 investments, operational and internal audit/compliance functions, underwriting and credit controls.

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.

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INTERNAL CONTROL FRAMEWORK (CONT'D.)

Frameworks, Policies and Procedures (cont'd.)

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 information and cyber
- 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

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.

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, market conduct and compliance risk as well as climate 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 assurance 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.

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INTERNAL CONTROL FRAMEWORK (CONT'D.)

Whistleblowing Policy

The Company has a whistleblowing policy in place whereby employees of the Company and external parties may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. The whistleblowing policy and procedures for raising such concerns are clearly communicated to employees. All whistleblowing incidents are reported to the Board Audit Committee. Concerns expressed anonymously are 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 appropriate follow-up actions. If fraud is determined, appropriate remedial actions are taken and the Board Audit Committee is updated regularly on their status. The whistleblower has protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistleblowing policy, which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing the periodic review of the effectiveness of the policy.

Internal Audit

The Company utilises the services of the Internal Audit Department (“Internal Audit”) of GELM, via an outsourcing arrangement. Internal Audit assists the Board Audit Committee in discharging its duties and responsibilities. It 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.

Internal Audit, which is independent of the activities it audits, 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 GELM CEO.

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. Internal Audit has unrestricted access to the Board, Board Audit Committee and functions, records, property and personnel of the Company. Internal Audit meets the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

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(Incorporated in Malaysia)**

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 of 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 FY2021 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 that 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 has 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.

198301007025 (102249-P)

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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 40 to 162 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 2021 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 2022.



Tan Fong Sang
Director



Datuk Kamaruddin bin Taib
Director

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

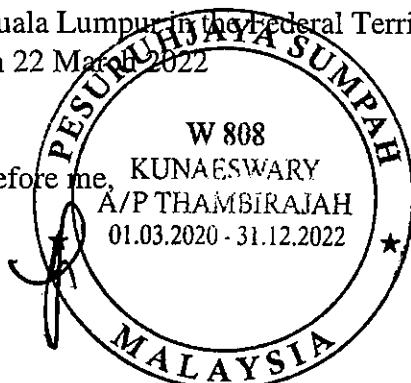
I, Khoo Sook Hooi (CA 28215), being the officer primarily responsible for the financial management of Great Eastern General Insurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 162 are in my opinion correct, and I make this solemn 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 2022



Khoo Sook Hooi

Before me,





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 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of 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 40 to 162.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors’ report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ Report, which we obtained prior to the date of this auditors’ report, and 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.

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 (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198301007025 (102249-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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



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

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.

A large, stylized handwritten signature in black ink, appearing to be 'PricewaterhouseCoopers'.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Manjit Singh A/L HAJANDER SINGH'.

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2023 J
Chartered Accountant

Kuala Lumpur
22 March 2022

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RM	2020 RM
Assets			
Intangible assets	3	54,297,014	48,916,925
Property and equipment			
- Owned	4(a)	3,953,017	3,793,548
- Right-of-use assets	4(b)	13,423,409	15,998,550
Investments	5	731,891,678	751,186,573
Reinsurance assets	6	724,539,305	236,586,027
Insurance receivables	7	60,648,631	83,933,925
Other receivables	8	61,919,187	66,133,984
Deferred tax assets	9	3,726,860	-
Tax recoverable		3,234,175	1,584,586
Cash and bank balances		46,630,299	24,622,188
Total assets		<u>1,704,263,575</u>	<u>1,232,756,306</u>
Equity			
Share capital	10	100,000,000	100,000,000
Retained earnings	11	354,078,735	364,721,355
Fair value reserves		2,601,574	15,729,939
Total equity		<u>456,680,309</u>	<u>480,451,294</u>
Liabilities			
Insurance contract liabilities	12	1,111,677,560	613,865,894
Lease liabilities		13,474,112	15,850,067
Deferred tax liabilities	9	-	1,606,011
Deposits from reinsurers	13	3,291,066	2,314,929
Insurance payables	14	55,135,992	57,934,022
Other payables	15	64,004,536	60,734,089
Total liabilities		<u>1,247,583,266</u>	<u>752,305,012</u>
Total equity and liabilities		<u>1,704,263,575</u>	<u>1,232,756,306</u>

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Note	2021 RM	2020 RM
Gross earned premiums	16(a)	528,154,268	518,528,141
Premiums ceded to reinsurers	16(b)	<u>(187,560,133)</u>	<u>(155,698,455)</u>
Net earned premiums		<u>340,594,135</u>	<u>362,829,686</u>
Net investment income	17	27,496,732	32,294,399
Net realised gains	18	1,822,410	3,807,324
Fair value (losses)/gains	19	(6,257,220)	1,846,445
Changes in allowance for expected credit losses ("ECL") on investment assets		(1,222,393)	(72,795)
Fee and commission income		37,118,047	33,841,836
Other operating revenue	20	<u>795,582</u>	<u>3,816,142</u>
Other revenue		<u>59,753,158</u>	<u>75,533,351</u>
Gross claims paid	21(a)	(225,306,145)	(253,697,130)
Claims ceded to reinsurers	21(b)	67,288,771	71,399,601
Gross change in contract liabilities	21(c)	(504,101,531)	(3,754,162)
Change in contract liabilities ceded to reinsurers	21(d)	<u>498,978,651</u>	<u>1,357,708</u>
Net claims		<u>(163,140,254)</u>	<u>(184,693,983)</u>
Fee and commission expense		(76,334,120)	(73,671,578)
Management expenses	22	(101,246,489)	(107,891,057)
Finance cost		<u>(572,977)</u>	<u>(673,558)</u>
Other expenses		<u>(178,153,586)</u>	<u>(182,236,193)</u>
Profit before taxation		59,053,453	71,432,861
Taxation	23	<u>(13,909,561)</u>	<u>(16,060,026)</u>
Net profit for the year		<u>45,143,892</u>	<u>55,372,835</u>
Earnings per share (sen)			
Basic and diluted	24	<u>45.14</u>	<u>55.37</u>

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM	2020 RM
Net profit for the year		45,143,892	55,372,835
Other comprehensive income:			
<u>Items that may be reclassified to statement of profit or loss in subsequent periods:</u>			
Fair value through other comprehensive income			
Net (losses)/gains on fair value changes		(17,777,409)	9,541,759
Realised gains transferred to statement of profit or loss		(1,754,035)	(3,380,134)
Reclassification from FVOCI reserves to retained earnings arising from realised losses on disposal of FVOCI equities		1,034,887	2,617,320
Changes in allowance for ECL		1,222,392	78,701
		(17,274,165)	8,857,646
Tax effect	9	4,145,802	(2,125,835)
		<u>(13,128,363)</u>	<u>6,731,811</u>
Total comprehensive income for the year		<u>32,015,529</u>	<u>62,104,646</u>

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Non-distributable Share capital RM	FVOCI reserves RM	Distributable Retained earnings RM	Total equity RM
At 1 January 2020	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	<u>100,000,000</u>	<u>15,729,939</u>	<u>364,721,355</u>	<u>480,451,294</u>
Total comprehensive income for the year	-	(13,914,877)	45,143,892	31,229,015
Reclassification from FVOCI reserves to retained earnings arising from realised losses on disposal of FVOCI equities	-	786,514	(786,514)	-
Dividend paid during the year (Note 25)	-	-	(55,000,000)	(55,000,000)
At 31 December 2021	<u>100,000,000</u>	<u>2,601,576</u>	<u>354,078,733</u>	<u>456,680,309</u>

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM	2020 RM
Operating activities			
Cash generated from operating activities	26	77,624,056	32,645,420
Dividend income received		8,447,973	11,356,264
Interest income received		22,761,609	23,681,938
Interest paid		(17,370)	(11,051)
Income tax paid		(16,497,849)	(16,374,521)
Net cash flows generated from operating activities		<u>92,318,419</u>	<u>51,298,050</u>
Investing activities			
Proceeds from disposal of property and equipment		100,166	1,080
Purchase of equipment	4	(1,975,421)	(1,362,089)
Purchase of intangible assets		(9,874,829)	(10,675,159)
Net cash flows used in investing activities		<u>(11,750,084)</u>	<u>(12,036,168)</u>
Financing activities			
Payment of lease liabilities		(3,560,224)	(3,592,572)
Dividend paid	25	(55,000,000)	(40,000,000)
Net cash flows used in financing activities		<u>(58,560,224)</u>	<u>(43,592,572)</u>
Net increase/(decrease) in cash and cash equivalents		22,008,111	(4,330,690)
Cash and cash equivalents at beginning of year		<u>24,622,188</u>	<u>28,952,878</u>
Cash and cash equivalents at end of year		<u>46,630,299</u>	<u>24,622,188</u>
Cash and cash equivalents comprises:			
Cash and bank balances		26,630,299	16,772,188
Deposits with licensed financial institutions		20,000,000	7,850,000
		<u>46,630,299</u>	<u>24,622,188</u>
Reconciliation of liabilities arising from financing activities.			
Lease liabilities			
As at 1 January		15,850,067	14,922,400
Additions		1,538,220	7,856,650
Lease expiration		(878,772)	(3,945,686)
Interest charge		524,821	609,275
Cash flows		(3,560,224)	(3,592,572)
As at 31 December		<u>13,474,112</u>	<u>15,850,067</u>

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

**GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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 2022.

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") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amended MFRSs and new MFRSs as described fully in Note 2.3

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital ("RBC") Framework as at the reporting date.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

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.

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.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(a) Property and equipment (cont'd.)

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.

(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”).

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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 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.

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.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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 or 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.

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.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(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:

(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.

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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

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.

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.

Financial Assets at Amortised Cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These 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, financial assets at amortised cost 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Financial liabilities and insurance payables (cont'd.)

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.

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Fair value measurement (cont'd.)

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Fair value measurement (cont'd.)

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.

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.

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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

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.

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.

Not credit-impaired financial assets

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 Group expects to receive).

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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.)

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.

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.

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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 (cont'd.)

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 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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(f) Derecognition (cont'd.)

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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Intangible assets (cont'd.)

(i) Business combination and goodwill (cont'd.)

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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Intangible assets (cont'd.)

(ii) Other intangible assets (cont'd.)

- 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.

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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) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Product classification (cont'd.)

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.

(k) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent amount receivable in respect of ceded insurance liabilities. These amounts are estimated in a manner consistent with the reinsured insurance contract liabilities, the outstanding claims provision or settled claims associated with reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets arising from ceding of in-force book and gross onerous contracts are recognised in the same period when the gross liabilities are accrued.

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.

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 in the statement of profit or loss immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(k) Reinsurance (cont'd.)

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.

(l) 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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(l) General insurance underwriting results (cont'd.)

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).

(m) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(m) Insurance receivables (cont'd.)

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. The Company's insurance receivables include outstanding premium and reinsurance receivables.

(n) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(n) 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;
- 1/365th 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(n) 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.

(o) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(p) 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.

(q) Provisions

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

Provisions are reviewed at each 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.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(q) Provisions (cont'd.)

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

(r) 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.

(s) 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.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(s) Employee benefits (cont'd.)

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 funds over the vesting period of the grant, with a corresponding increase in liabilities.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(s) Employee benefits (cont'd.)

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.

(t) Cash and cash equivalents

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

(u) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(u) Leases (cont'd.)

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 effective 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(u) 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.

(v) 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.

(w) 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.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(w) 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.

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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 2021, the Company adopted the following amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2021.

- Amendments to MFRS 16 *Leases* - COVID-19-Related Rent Concessions
- Amendments to MFRS 9, 139, 7, 4 & 16 - Interest Rate Benchmark Reform - Phase 2

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

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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 2022

- Amendment to MFRS 16 *Leases* - COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to MFRS 116 *Property, Plant and Equipment* - Proceeds before Intended Use
- Amendments to MFRS 3 *Business Combinations* - Reference to the Conceptual Framework
- Annual Improvements to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* - Subsidiary as First-time Adopter
- Annual Improvements to Illustrative Example accompanying MFRS 16 *Leases* - Lease Incentives
- Annual Improvements to MFRS 9 *Financial Instruments* - Fees in the '10 per cent' test for Derecognition of Financial Liabilities
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* - Onerous Contracts – Cost of Fulfilling a Contract

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

- MFRS 17 *Insurance Contracts* and its amendments
- Amendments to MFRS 101 *Presentation of Financial Statements* - Classification of liabilities as current or non-current
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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:

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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.

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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.

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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.

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3. INTANGIBLE ASSETS

	Goodwill	Distribution		Capital	
	RM	platform	Software	work-in-	Total
		RM	RM	progress	
				RM	RM
Cost					
At 1 January 2020	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
Additions	-	-	-	10,048,232	10,048,232
Reclassification	-	-	3,060,581	(3,233,985)	(173,404)
At 31 December 2021	18,182,598	4,372,500	26,688,975	26,636,372	75,880,445
Accumulated amortisation					
At 1 January 2020	-	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
Amortisation for the year	-	672,692	3,822,047	-	4,494,739
At 31 December 2021	-	1,401,442	20,181,989	-	21,583,431
Net carrying amount					
At 31 December 2020	18,182,598	3,643,750	7,268,452	19,822,125	48,916,925
At 31 December 2021	18,182,598	2,971,058	6,506,986	26,636,372	54,297,014

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**GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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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 10.2% per annum (2020: 11.4%);
- (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 10.0% per annum (2020: 9.3%), pre-tax discount rate of 11.2% per annum (2020: 11.5%); and
- (iii) Terminal value cash flow growth rate of 6.0% (2020: 0.5%), 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.

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4. PROPERTY AND EQUIPMENT

(a) Owned

Cost	Office equipment, renovation, furniture & fittings RM	Motor vehicles RM	Computer equipment RM	Capital work-in- progress RM	Total RM
At 1 January 2020	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
Additions	331,771	331,209	782,554	529,887	1,975,421
Reclassification	-	-	560,802	(560,802)	-
Disposal	-	(329,000)	-	-	(329,000)
Write-off	(264,655)	-	(18,104)	-	(282,759)
At 31 December 2021	6,472,613	427,423	4,023,084	901,837	11,824,957

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GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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4. PROPERTY AND EQUIPMENT (CONT'D.)

(a) Owned (cont'd.)

	Office equipment, renovation, furniture & fittings RM	Motor vehicles RM	Computer equipment RM	Capital work-in- progress RM	Total RM
Accumulated depreciation					
At 1 January 2020	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
Depreciation charge for the year (Note 22)	863,476	22,298	926,534	-	1,812,308
Disposal	-	(328,998)	-	-	(328,998)
Write-off	(261,266)	-	(17,851)	-	(279,117)
At 31 December 2021	5,011,791	118,512	2,741,637	-	7,871,940
Net carrying amount					
At 31 December 2020	1,995,916	2	864,878	932,752	3,793,548
At 31 December 2021	1,460,822	308,911	1,281,447	901,837	3,953,017

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 RM3,680,555 (2020: RM3,596,728).

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GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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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 2020	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	<u>18,654,573</u>	<u>702,782</u>	<u>19,357,355</u>
Additions	1,631,608	-	1,631,608
Lease expiration	(1,562,349)	-	(1,562,349)
At 31 December 2021	<u>18,723,832</u>	<u>702,782</u>	<u>19,426,614</u>
Accumulated depreciation			
At 1 January 2020	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	<u>3,087,331</u>	<u>271,474</u>	<u>3,358,805</u>
Depreciation charge for the year (Note 22)	3,133,488	185,677	3,319,165
Lease expiration	(674,765)	-	(674,765)
At 31 December 2021	<u>5,546,054</u>	<u>457,151</u>	<u>6,003,205</u>
Net carrying amount			
At 31 December 2020	<u>15,567,242</u>	<u>431,308</u>	<u>15,998,550</u>
At 31 December 2021	<u>13,177,778</u>	<u>245,631</u>	<u>13,423,409</u>

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5. INVESTMENTS

	2021	2020
	RM	RM
Malaysian government securities	131,487,510	82,497,785
Debt securities	367,096,445	435,473,855
Equity securities	48,475,468	49,810,094
Collective investment schemes	184,288,036	182,606,112
Loans	544,219	798,727
	<u>731,891,678</u>	<u>751,186,573</u>

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

	2021	2020
	RM	RM
Financial assets at amortised cost	544,219	798,727
Financial assets at FVOCI	504,216,269	517,864,853
Financial assets at FVTPL	227,131,190	232,522,993
	<u>731,891,678</u>	<u>751,186,573</u>

The following investments mature after 12 months:

	2021	2020
	RM	RM
Financial assets at amortised cost	544,219	752,628
Financial assets at FVOCI	410,939,439	486,109,044
Financial assets at FVTPL	227,131,190	232,522,993
	<u>638,614,848</u>	<u>719,384,665</u>

Included in financial assets at FVOCI are quoted equity securities of RM30,819,046 (2020: RM31,753,529) with no maturity date.

Included in financial assets at FVTPL are unquoted equity securities of RM17,639,720 (2020: RM18,026,740), perpetual debt securities RM15,233,700 (2020: RM18,380,242) and collective investment schemes of RM184,288,036 (2020: RM182,606,113) with no maturity date.

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5. INVESTMENTS (CONT'D.)

(a) Financial assets measured at amortised cost

	2021	2020
	RM	RM
Vehicle loans	544,219	797,012
Computer loans	-	1,715
	<u>544,219</u>	<u>798,727</u>

The carrying value of financial assets measured at amortised cost are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) Financial assets measured at FVOCI

	2021	2020
	RM	RM
Malaysian government securities	131,487,510	82,497,785
Unquoted debt securities in Malaysia	341,909,713	403,613,539
Quoted equity securities in Malaysia	30,819,046	31,753,529
	<u>504,216,269</u>	<u>517,864,853</u>

Allowance for ECL has been provided for Malaysian government securities and unquoted debt securities measured at FVOCI amount to RM3,162,431 (2020: RM1,940,038). 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 2021, the Company sold listed equity securities due to portfolio rebalancing activities. These investments had a fair value of RM2,660,881 (2020: RM11,509,672) at the date of disposal. The cumulative loss on disposal (net of tax) of RM786,514 (2020: RM1,989,164) was reclassified from fair value reserve to retained earnings.

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5. INVESTMENTS (CONT'D.)

(c) Financial assets measured at FVTPL

	2021	2020
	RM	RM
Unquoted debt securities in Malaysia	25,186,732	31,860,316
Quoted equity securities in Malaysia	16,702	29,825
Unquoted equity securities in Malaysia	17,639,720	18,026,740
Collective investment schemes	184,288,036	182,606,112
	<u>227,131,190</u>	<u>232,522,993</u>

(d) Carrying values of investments

	Amortised Cost	FVOCI	FVTPL	Total
	RM	RM	RM	RM
At 1 January				
2020	33,230,327	470,814,159	245,203,222	749,247,708
Purchases				
(Note 26)	463,760,000	298,568,892	32,679,171	795,008,063
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
Provision for ECL	5,905	-	-	5,905
Amortisation	(3,281)	(911,087)	-	(914,368)
At 31 December				
2020	<u>798,727</u>	<u>517,864,853</u>	<u>232,522,993</u>	<u>751,186,573</u>

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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5. INVESTMENTS (CONT'D.)

(d) Carrying values of investments (cont'd.)

	Amortised Cost RM	FVOCI RM	FVTPL RM	Total RM
At 1 January				
2021	798,727	517,864,853	232,522,993	751,186,573
Purchases				
(Note 26)	368,538,000	309,903,448	7,797,207	686,238,655
Maturities/ disposals	(368,792,508)	(303,411,496)	(6,931,790)	(679,135,794)
Fair value losses recorded in other comprehensive income	-	(18,496,557)	-	(18,496,557)
Fair value losses recorded in statement of profit or loss	-	-	(6,257,220)	(6,257,220)
Amortisation	-	(1,643,979)	-	(1,643,979)
At 31 December				
2021	<u>544,219</u>	<u>504,216,269</u>	<u>227,131,190</u>	<u>731,891,678</u>

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6. REINSURANCE ASSETS

	2021	2020
	RM	RM
Reinsurers' share of claim liabilities	667,902,295	168,925,771
Accumulated impairment losses	(23,269)	(25,395)
Reinsurers' share of claim liabilities (Note 12)	<u>667,879,026</u>	<u>168,900,376</u>
Reinsurers' share of premium liabilities (Note 12)	<u>56,660,279</u>	<u>67,685,651</u>
	<u><u>724,539,305</u></u>	<u><u>236,586,027</u></u>

Movement of accumulated impairment losses account:

	Individually impaired	
	2021	2020
	RM	RM
At beginning of year	25,395	32,132
Reversal of impairment losses	(2,126)	(4,806)
Transfer of impairment losses to insurance receivables	-	(1,931)
At end of year	<u><u>23,269</u></u>	<u><u>25,395</u></u>

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 RM2,126 (2020: RM4,806) provided earlier due to the closure of time-barred losses and the impairment losses transferred to insurance receivables (2020: RM1,931) due to settlement of claims.

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7. INSURANCE RECEIVABLES

	2021	2020
	RM	RM
Due premiums including agents/brokers, co-insurers and insured balances	51,082,887	70,488,639
Due from reinsurers and cedants	12,197,920	18,189,041
	<u>63,280,807</u>	<u>88,677,680</u>
Allowance for ECL	(2,632,176)	(4,743,755)
	<u>60,648,631</u>	<u>83,933,925</u>

Insurance receivables that do not meet the offsetting criteria amount to RM10,902,643 (2020: RM22,627,626).

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

	Gross	Gross amounts	Net amounts
	carrying	offset in the	in the
	amount	statement of	statement of
	RM	financial	financial
		position	position
		RM	RM
2021			
Premiums	55,854,888	(3,689,721)	52,165,167
Commissions	239,615	(10,549,767)	(10,310,152)
Claims	10,523,293	(143)	10,523,150
	<u>66,617,796</u>	<u>(14,239,631)</u>	<u>52,378,165</u>
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
	<u>88,487,586</u>	<u>(22,437,532)</u>	<u>66,050,054</u>

Movement in the allowance for ECL of insurance receivables:

	2021	2020
	RM	RM
At beginning of year	4,743,755	4,732,743
(Decrease)/Increase in provision for ECL	(2,111,579)	9,081
Transfer of impairment losses from reinsurance asset	-	1,931
At end of year	<u>2,632,176</u>	<u>4,743,755</u>

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8. OTHER RECEIVABLES**2632177**

	2021	2020
	RM	RM
Amount due from immediate holding company (Note 29(a))	-	300
Amount due from related companies (Note 29(a))	2,756,610	127,603
Income due and accrued	6,482,138	7,428,908
Assets held under the Malaysian		
Motor Insurance Pool (“MMIP”) (Note 31(v))*	45,442,759	48,372,881
Collateral fixed deposits	5,975,220	5,434,753
Deposits and prepayments	1,223,990	4,724,703
Other receivables	38,470	44,836
	<u>61,919,187</u>	<u>66,133,984</u>

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 RM12,849,491 (2020: RM13,849,491) 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 2021.

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

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9. DEFERRED TAX (ASSETS) / LIABILITIES

	2021	2020
	RM	RM
At beginning of year	1,606,011	(737,617)
Recognised in:		
Statement of profit or loss (Note 23)	(1,187,071)	217,793
Other comprehensive income	(4,145,800)	2,125,835
At end of year	<u>(3,726,860)</u>	<u>1,606,011</u>

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.

	2021	2020
	RM	RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	664,892	6,866,323
Deferred tax assets	(4,391,752)	(5,260,312)
	<u>(3,726,860)</u>	<u>1,606,011</u>

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

Deferred tax liabilities:

	Investments	Accelerated capital allowance on property and equipment	Total
	RM	RM	RM
At 1 January 2021	6,215,363	650,960	6,866,323
Recognised in:			
Statement of profit or loss	(1,997,379)	(58,252)	(2,055,631)
Other comprehensive income	(4,145,800)	-	(4,145,800)
At 31 December 2021	<u>72,184</u>	<u>592,708</u>	<u>664,892</u>

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

Deferred tax liabilities: (cont'd.)

	Investments	Accelerated capital allowance on property and equipment	Total
	RM	RM	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	<u>6,215,363</u>	<u>650,960</u>	<u>6,866,323</u>

Deferred tax assets:

	Provisions	Leases	Premium liabilities	Provision for ECL	Total
	RM	RM	RM	RM	RM
At 1 January 2021	(2,325,784)	(107,308)	(1,715,518)	(1,111,702)	(5,260,312)
Recognised in Statement of profit or loss	(366,945)	(48,895)	777,280	507,120	868,560
At 31 December 2021	<u>(2,692,729)</u>	<u>(156,203)</u>	<u>(938,238)</u>	<u>(604,582)</u>	<u>(4,391,752)</u>
At 1 January 2020	(2,612,524)	(72,193)	(1,115,587)	(1,111,774)	(4,912,078)
Recognised in Statement of profit or loss	286,740	(35,115)	(599,931)	72	(348,234)
At 31 December 2020	<u>(2,325,784)</u>	<u>(107,308)</u>	<u>(1,715,518)</u>	<u>(1,111,702)</u>	<u>(5,260,312)</u>

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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10. SHARE CAPITAL

	2021		2020	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up:				
Ordinary shares				
At beginning and				
end of year	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

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 2021 and 31 December 2020 under the single-tier system.

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GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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12. INSURANCE CONTRACT LIABILITIES

	2021			2020		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	759,088,223	(577,849,467)	181,238,756	323,629,114	(143,630,575)	179,998,539
Provision for incurred but not reported claims (“IBNR”) and provision for risk margin for adverse deviations (“PRAD”)	134,386,767	(90,029,559)	44,357,208	65,744,345	(25,269,801)	40,474,544
Claim liabilities (i)	893,474,990	(667,879,026)	225,595,964	389,373,459	(168,900,376)	220,473,083
Premium liabilities (ii)	218,202,570	(56,660,279)	161,542,291	224,492,435	(67,685,651)	156,806,784
	1,111,677,560	(724,539,305)	387,138,255	613,865,894	(236,586,027)	377,279,867
(i) Claim liabilities						
At beginning of year	389,373,459	(168,900,376)	220,473,083	385,619,297	(167,542,668)	218,076,629
Claims incurred in the current accident year (direct and facultative)	459,687,223	(277,815,175)	181,872,048	270,341,242	(81,213,464)	189,127,778
Movement in PRAD of claim liabilities	22,522,889	(20,293,924)	2,228,965	1,255,279	(149,929)	1,105,350
Movement in unallocated loss adjustment expenses (“ULAE”)	1,900,733	-	1,900,733	564,394	-	564,394
Other movement in claims incurred in prior accident years (direct and facultative)	248,805,243	(268,158,322)	(19,353,079)	(13,989,742)	8,606,084	(5,383,658)
Movement in claims incurred (treaty inwards claims)	(3,508,412)	-	(3,508,412)	(719,881)	-	(719,881)
Claims paid during the year (Note 21(a))	(225,306,145)	67,288,771	(158,017,374)	(253,697,130)	71,399,601	(182,297,529)
At end of year	893,474,990	(667,879,026)	225,595,964	389,373,459	(168,900,376)	220,473,083

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GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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12. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	2021			2020		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
(ii) Premium liabilities						
At beginning of year	224,492,435	(67,685,651)	156,806,784	215,979,551	(56,827,055)	159,152,496
Premiums written in the year (Note 16)	521,864,404	(176,534,761)	345,329,643	527,041,024	(166,557,051)	360,483,973
Premiums earned during the year (Note 16)	(528,154,269)	187,560,133	(340,594,136)	(518,528,140)	155,698,455	(362,829,685)
At end of year	<u>218,202,570</u>	<u>(56,660,279)</u>	<u>161,542,291</u>	<u>224,492,435</u>	<u>(67,685,651)</u>	<u>156,806,784</u>

As at 31 December 2021, the insurance contract liabilities above includes the Company's share of MMIP's claim and premium liabilities amounting to RM20,373,731 (2020: RM26,084,791) and RM717,713 (2020: RM1,833,615). The Company's net exposure arising from its participation in MMIP is detailed in Note 31(v).

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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% (2020: 40%) of gross ceded premium.

All deposits shall be released in the next succeeding year.

14. INSURANCE PAYABLES

	2021	2020
	RM	RM
Due to agents, intermediaries and insured	9,637,803	7,456,870
Due to reinsurers and cedants	45,498,189	50,477,152
	<u>55,135,992</u>	<u>57,934,022</u>

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 RM687,689 (2020: RM1,329,923).

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

	Gross carrying amount	Gross amounts offset in the financial position	Net amounts in the financial position
	RM	RM	RM
2021			
Premiums	70,250,744	(3,250,423)	67,000,321
Commissions	3,257,111	(8,952,602)	(5,695,491)
Claims	110,915	(6,967,442)	(6,856,527)
	<u>73,618,770</u>	<u>(19,170,467)</u>	<u>54,448,303</u>
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)
	<u>78,868,457</u>	<u>(22,264,358)</u>	<u>56,604,099</u>

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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15. OTHER PAYABLES

	2021	2020
	RM	RM
Amount due to related companies (Note 29(a))	12,718,680	11,163,263
Liabilities held under the MMIP (Note 31(v))	609,571	560,374
Cash collateral held on behalf of insureds	5,973,524	5,434,753
Accrual for staff bonus	9,560,000	8,780,000
Other accrued expenses	18,703,582	19,025,415
Provision for reinstatement cost on lease properties	600,144	595,600
Other payables	15,839,035	15,174,684
	<u>64,004,536</u>	<u>60,734,089</u>

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

	2021	2020
	RM	RM
(a) Gross earned premiums		
General insurance contract (Note 12(ii))	521,864,404	527,041,024
Change in premium liabilities	6,289,864	(8,512,883)
	<u>528,154,268</u>	<u>518,528,141</u>
(b) Premiums ceded to reinsurers		
General insurance contract (Note 12(ii))	(176,534,761)	(166,557,051)
Change in premium liabilities	(11,025,372)	10,858,596
	<u>(187,560,133)</u>	<u>(155,698,455)</u>
Net earned premiums (Note 12(ii))	<u>340,594,135</u>	<u>362,829,686</u>

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17. NET INVESTMENT INCOME

	2021	2020
	RM	RM
Interest/profit income:		
- financial assets measured at FVOCI	20,190,437	20,498,027
- financial assets measured at FVTPL	1,309,090	2,025,368
- financial assets measured at amortised cost	330,226	764,603
Dividend/distribution income:		
- quoted equity securities in Malaysia		
- derecognised during the year	35,340	549,257
- held at the end of the year	1,482,348	1,177,825
- unquoted equity securities in Malaysia	1,095,500	1,242,725
- collective investment schemes	5,819,869	8,109,770
Investment income (Note 26)	<u>30,262,810</u>	<u>34,367,575</u>
Net amortisation of discounts (Note 26)	(1,643,976)	(914,368)
Investment expenses	<u>(1,122,102)</u>	<u>(1,158,808)</u>
	<u>27,496,732</u>	<u>32,294,399</u>

18. NET REALISED GAINS

	2021	2020
	RM	RM
Property and equipment:		
Gain on disposal of property and equipment (Note 26)	<u>100,165</u>	<u>1,074</u>
Financial assets measured at FVOCI:		
Realised gains:		
- unquoted debt securities in Malaysia	2,522,381	966,464
- Malaysian government securities	<u>(768,346)</u>	<u>2,413,670</u>
Realised gains on financial assets measured at FVOCI	<u>1,754,035</u>	<u>3,380,134</u>
Financial assets measured at FVTPL:		
Realised gains/(losses):		
- unquoted equity securities in Malaysia	-	(5,460)
- unquoted debt securities in Malaysia	<u>(31,790)</u>	<u>431,576</u>
Realised gains on financial assets measured at FVTPL	<u>(31,790)</u>	<u>426,116</u>
Total realised gains on financial assets (Note 26)	<u>1,822,410</u>	<u>3,807,324</u>

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19. FAIR VALUE (LOSSES)/GAINS

	2021	2020
	RM	RM
Unrealised losses on quoted equity securities	(13,123)	(11,930)
Unrealised losses on unquoted equity securities	(387,020)	(333,420)
Unrealised (losses)/gains on debt securities	(1,741,795)	488,298
Unrealised (losses)/gains on collective investment schemes	(4,115,282)	1,703,497
Total fair value (losses)/gains (Note 26)	<u>(6,257,220)</u>	<u>1,846,445</u>

20. OTHER OPERATING REVENUE

	2021	2020
	RM	RM
Sundry income	795,582	3,816,142

21. NET CLAIMS

	2021	2020
	RM	RM
(a) Gross claims paid		
General insurance contracts (Note 12(i))	(225,306,145)	(253,697,130)
(b) Claims ceded to reinsurers		
General insurance contracts (Note 12(i))	67,288,771	71,399,601
Net claims paid (Note 12(i))	<u>(158,017,374)</u>	<u>(182,297,529)</u>
(c) Gross change in contract liabilities		
General insurance contracts	(504,101,531)	(3,754,162)
(d) Change in contract liabilities ceded to reinsurers		
General insurance contracts	498,978,651	1,357,708
Net change in contract liabilities	<u>(5,122,880)</u>	<u>(2,396,454)</u>
Net claims	<u>(163,140,254)</u>	<u>(184,693,983)</u>

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22. MANAGEMENT EXPENSES

	2021	2020
	RM	RM
Employee benefits expense (Note 22(a))	58,014,025	56,316,060
Directors' remuneration (Note 22(b))	965,651	1,004,302
Auditors' remuneration:		
- statutory audits	345,780	335,000
- regulatory related fees	1,050	9,050
- other services	121,800	42,700
Depreciation of property and equipment (Note 4(a))	1,812,308	1,342,807
Depreciation of right of use assets (Note 4(b))	3,319,165	3,329,556
Amortisation of intangible asset	4,494,739	4,057,693
Write off of bad debts (Note 26)	636,666	40,543
Property and equipment written off (Note 26)	3,642	1,728
Rental of equipment, software and services	(176)	63,877
Administration and general expenses	33,643,418	41,336,729
Changes in allowance for ECL on insurance receivables (Note 7)	(2,111,579)	11,012
	<u>101,246,489</u>	<u>107,891,057</u>

(a) Employee benefits expense

	2021	2020
	RM	RM
Wages and salaries	47,599,362	45,626,215
Social security contributions	356,992	354,329
Contributions to defined contribution plan - EPF	7,424,337	6,948,101
Other benefits	2,028,315	2,813,436
Share based payments	605,019	573,979
	<u>58,014,025</u>	<u>56,316,060</u>

Included in employee benefits expense is CEO's remuneration of RM1,160,899 (2020: RM956,369) as detailed in Note 22(c).

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22. MANAGEMENT EXPENSES (CONT'D)

(b) Directors' remuneration

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

	2021	2020
	RM	RM
Non-executive Directors' fees	965,651	1,004,302
Name		
Mr Norman Ka Cheung Ip	128,791	143,600
Mr Koh Poh Tiong	83,860	84,460
Y Bhg Datuk Kamaruddin bin Taib	223,700	212,300
Y Bhg Dato' Albert Yeoh Beow Tit	-	52,350
Mdm Tan Fong Sang	176,300	185,300
Mimi Ho	191,800	168,608
Mr Lai Chin Tak	161,200	157,684
	<u>965,651</u>	<u>1,004,302</u>

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:

	2021	2020
	RM	RM
Salaries and other remuneration	957,519	744,726
Bonus	183,780	187,043
Total remuneration excluding benefits in kind	<u>1,141,299</u>	<u>931,769</u>
Estimated money value of benefits in kind	19,600	24,600
Total remuneration (Note 22(a))	<u>1,160,899</u>	<u>956,369</u>
Share-based payment (in units)	<u>6,473</u>	<u>8,634</u>

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23. TAXATION

	2021	2020
	RM	RM
Current income tax:		
Malaysian income tax	14,102,695	15,729,925
Under provision of income tax	993,937	112,308
	<u>15,096,632</u>	<u>15,842,233</u>
Deferred tax (Note 9):		
Relating to origination and reversal of temporary differences	(1,028,635)	207,112
(Over)/Under provision in prior year	(158,436)	10,681
	<u>(1,187,071)</u>	<u>217,793</u>
	<u>13,909,561</u>	<u>16,060,026</u>

Income tax is based on the statutory tax rate of 24% (2020: 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:

	2021	2020
	RM	RM
Profit before taxation	<u>59,053,453</u>	<u>71,432,861</u>
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	14,172,829	17,143,887
Income not subject to tax	(2,295,024)	(3,018,933)
Expenses not deductible for tax purposes	1,196,255	1,812,083
Under provision of prior year income tax	993,937	112,308
(Over)/Under provision of deferred tax in prior year	(158,436)	10,681
Tax expense for the year	<u>13,909,561</u>	<u>16,060,026</u>

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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.

	2021	2020
	RM	RM
Profit attributable to ordinary equity holder	45,143,892	55,372,835
Number of ordinary shares in issue during the year	100,000,000	100,000,000
Basic earnings per share (sen)	<u>45.14</u>	<u>55.37</u>

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:

	2021	2020
	RM	RM
Final single tier dividend of RM0.40 per ordinary share on 100,000,000 ordinary shares paid on 15 May 2020	<u>-</u>	<u>40,000,000</u>
Final single tier dividend of RM0.55 per ordinary share on 100,000,000 ordinary shares paid on 4 May 2021	<u>55,000,000</u>	<u>-</u>

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

	Note	2021	2020
		RM	RM
Profit before taxation		59,053,453	71,432,861
Investment income	17	(30,262,810)	(34,367,575)
Realised gains on financial assets at FVOCI and FVTPL	18	(1,722,245)	(3,806,250)
Fair value losses/(gains) recorded in statement of profit or loss	19	6,257,220	(1,846,445)

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

	Note	2021 RM	2020 RM
Purchases of financial assets at FVTPL	5(d)	(7,797,207)	(32,679,171)
Purchases of financial assets at FVOCI	5(d)	(309,903,448)	(298,568,892)
Proceeds from maturities/disposals of financial assets at FVOCI		304,130,644	260,148,870
Proceeds from maturities/disposals of financial assets at FVTPL		6,900,000	47,631,961
Decrease in financial assets at amortised cost		254,508	19,984,224
Finance cost		572,977	673,558
Non-cash items:			
Depreciation of property and equipment	4(a)	1,812,308	1,342,807
Depreciation of right of use assets	4(b)	3,319,165	3,329,556
Amortisation on intangible assets	3	4,494,739	4,057,693
Gain on disposal of property and equipment	18	(100,165)	(1,074)
Changes in allowance for ECL on investment assets		1,222,393	72,795
Changes in allowance for ECL on insurance receivables	7	(2,111,579)	11,012
Write back of impairment losses on reinsurance assets	6	(2,126)	(6,737)
Write off of bad debts	22	636,666	40,543
Property and equipment written off	22	3,642	1,728
Net amortisation of discounts	17	1,643,976	914,368
Changes in working capital:			
Right-of-use assets		(744,024)	(4,112,724)
Reinsurance assets		(487,951,152)	(12,209,567)
Insurance receivables		24,760,207	(19,793,417)
Other receivables		3,268,027	(300,536)
Insurance contract liabilities		497,811,666	12,267,046
Deposits from reinsurers		976,137	1,369,327
Insurance payables		(2,798,030)	13,981,564
Lease liabilities		650,635	3,882,435
Other payables		3,248,479	(804,540)
Cash generated from operating activities		<u>77,624,056</u>	<u>32,645,420</u>

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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:

	2021	2020
	RM	RM
Capital expenditure:		
Approved and contracted for:		
Property and equipment	2,308,445	3,603,380
Approved but not contracted for:		
Property and equipment	4,325,891	12,144,835
	<u>6,634,336</u>	<u>15,748,215</u>

28. OPERATING LEASE ARRANGEMENTS

The Company as lessee

The Company has entered into lease agreements for rental of equipment 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. During the year, there is no short term and low-value leases.

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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:

	2021	2020
	RM	RM
Expense/(income):		
Premium paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	1,285,355	1,259,244
Premium (received)/refund (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,006,558)	(2,180,998)
- OCBC Bank (Malaysia) Berhad	(4,358,037)	(3,037,086)
- OCBC Al-Amin Bank Berhad	(53,424)	(81,383)
- OCBC Properties (M) Sdn Bhd	(14,404)	(18,309)
- BOS Wealth Management Malaysia Berhad	(6,000)	(6,947)
- E2 Power Sdn Bhd	(605,390)	(569,591)
- Pac Lease Berhad	17,291	(53,599)
- Kemasjernih Sdn Bhd	-	(14,664)
- Great Eastern Capital (Malaysia) Sdn Bhd	(173,100)	-
- Axiata Digital Capital Sdn Bhd	(332,435)	-
- Eastern Realty Company Pte Ltd	10,051	-
- Key Management Personnel	(70,244)	(84,195)
Property rentals paid (ii)		
- Great Eastern Life Assurance (Malaysia) Berhad	3,097,019	3,135,272
Service charges paid/(received) (iii)		
- Great Eastern Life Assurance (Malaysia) Berhad	7,396,365	8,246,549
- Great Eastern Life Assurance (Singapore) Co Ltd	1,663,876	1,775,040
- Great Eastern General Insurance Limited	(227,440)	(255,885)
- Kemasjernih Sdn Bhd	-	140,132
Bank charges and custodian fees paid (iii)		
- OCBC Bank (Malaysia) Berhad	1,889,802	2,292,148
Interest received (iv)		
- OCBC Bank (Malaysia) Berhad	(109,203)	(439,805)

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29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions and balances (cont'd.)

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

	2021	2020
	RM	RM
Expense/(income): (cont'd.)		
Commission fees paid		
- Great Eastern Life Assurance (Malaysia) Berhad	294,410	330,116
- OCBC Bank (Malaysia) Berhad	2,560,979	2,837,999
- OCBC Al-Amin Bank Berhad	853	853
- Pac Lease Berhad	3,116,408	3,168,677
- Axiata Digital Capital Sdn Bhd	125,731	-
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Limited	395,428	483,117
Employee Share Option Scheme		
- Oversea-Chinese Banking Corporation Limited	-	5,676
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Limited	209,591	85,186
Disposal of investments to		
- Great Eastern Life Assurance (Malaysia) Berhad	(5,038,849)	(20,240,776)
Investment in corporate bond		
- Pac Lease Berhad	9,980,236	-
Repayment in corporate bond		
- Pac Lease Berhad	(10,000,000)	-
Investment in collective investment scheme		
- Affin Hwang Wholesale Income Fund	54,875,904	54,377,107
Investment in collective investment scheme		
- Aminstitutional Income Bond Fund	129,412,132	128,229,006
Dividend received from collective investment scheme		
- Affin Hwang Wholesale Income Fund	(2,129,972)	(2,933,480)
Dividend received from collective investment scheme		
- Aminstitutional Income Bond Fund	(3,689,897)	(5,176,290)

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29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions and balances (cont'd.)

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

	2021	2020
	RM	RM
Balances with related parties at year-end:		
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	20,563,479	16,332,586
- OCBC Al-Amin Bank Berhad	55,758	23,839
Fixed deposits and structured deposits		
- OCBC Bank (Malaysia) Berhad	10,000,000	12,320,716
Amount due to subsidiaries of penultimate holding company (Note 15):		
- Great Eastern Life Assurance (Malaysia) Berhad	-	4,728,818
- Great Eastern Life Assurance (Singapore) Co Ltd	12,215,463	6,145,302
- Oversea-Chinese Banking Corporation Limited	470,092	289,143
- Great Eastern Takaful Bhd	33,125	-
	<u>12,718,680</u>	<u>11,163,263</u>
Amount due from subsidiaries of penultimate holding company (Note 8):		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,741,343)	-
- Great Eastern General Insurance Limited	(15,267)	(68,244)
- PT Great Eastern General Insurance Indonesia	-	(59,359)
	<u>(2,756,610)</u>	<u>(127,603)</u>
Amount due from immediate holding company:		
- Overseas Assurance Corporation (Holdings) Berhad (Note 8):	<u>-</u>	<u>(300)</u>

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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.

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29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions and balances (cont'd.)

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

(vi) (cont'd.)

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

Geographical Location	Type of Services	2021 RM	2020 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.	1,663,876	1,775,040
		<u>1,663,876</u>	<u>1,775,040</u>

(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:

	2021 RM	2020 RM
Short-term employee benefits	4,067,539	3,930,859
Post-employment benefits	555,070	534,592
Share based payment	210,597	17,817
	<u>4,833,206</u>	<u>4,483,268</u>
Non Executive Directors' remuneration (Note 22(b))	965,651	1,004,302
	<u>5,798,857</u>	<u>5,487,570</u>
Share-based payment (in units)	<u>12,795</u>	<u>19,747</u>

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30. FINANCIAL INSTRUMENTS BY CATEGORY

	Amortised cost RM	FVOCI RM	FVTPL RM	Other financial liabilities RM	Total RM
2021					
Assets					
Investments	544,219	504,216,269	227,131,190	-	731,891,678
Insurance receivables	60,648,631	-	-	-	60,648,631
Other receivables	61,667,747	-	-	-	61,667,747
Cash and bank balances	46,630,299	-	-	-	46,630,299
Total financial assets	169,490,896	504,216,269	227,131,190	-	900,838,355
Liabilities					
Lease liabilities	-	-	-	13,474,112	13,474,112
Deposits from reinsurers	-	-	-	3,291,066	3,291,066
Insurance payables	-	-	-	55,135,992	55,135,992
Other payables	-	-	-	19,901,919	19,901,919
Total financial liabilities	-	-	-	91,803,089	91,803,089

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GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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30. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D.)

	Amortised cost RM	FVOCI RM	FVTPL RM	Other financial liabilities RM	Total RM
2020					
Assets					
Investments	798,727	517,864,853	232,522,993	-	751,186,573
Insurance receivables	83,933,925	-	-	-	83,933,925
Other receivables	62,378,245	-	-	-	62,378,245
Cash and bank balances	24,622,188	-	-	-	24,622,188
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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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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.

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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.

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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 general insurance funds under the various scenarios (i.e. Change in US Foreign Policy and Persistent Low-yield Environment, Local Economic Slump and Transition Risk into Sustainable Investment, and Unusual Weather Phenomena) according to regulatory guidelines on stress testing, simulating drastic changes in major parameters such as new business volume, market volatilities, reinsurance recoveries and loss ratios.

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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
2021			
Fire	37,307,593	(16,025,653)	21,281,940
Motor	78,885,639	(7,903,823)	70,981,816
Marine, Aviation and Transit	14,482,591	(8,798,178)	5,684,413
Workmen's Compensation	441,956	521	442,477
Personal Accident and Health	45,963,168	(7,046,537)	38,916,631
Others	41,121,623	(16,886,609)	24,235,014
	<u>218,202,570</u>	<u>(56,660,279)</u>	<u>161,542,291</u>
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
	<u>224,492,435</u>	<u>(67,685,651)</u>	<u>156,806,784</u>

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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 claim liabilities RM	Reinsurance claim liabilities RM	Net claim liabilities RM
2021			
Fire	274,408,521	(242,963,958)	31,444,563
Motor	106,011,028	(10,664,935)	95,346,093
Marine, Aviation and Transit	46,477,891	(40,849,342)	5,628,549
Workmen's Compensation	752,000	(23,243)	728,757
Personal Accident and Health	63,279,280	(11,462,752)	51,816,528
Others	402,546,270	(361,914,796)	40,631,474
	<u>893,474,990</u>	<u>(667,879,026)</u>	<u>225,595,964</u>
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
	<u>389,373,459</u>	<u>(168,900,376)</u>	<u>220,473,083</u>

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
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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 promptly 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. 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.

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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
2021					
Increase/(decrease):					
Provision for adverse deviation ("PRAD") margin	+20%	9,610	6,858	(6,858)	(5,212)
	-20%	(9,610)	(5,120)	5,120	3,891
Selected loss ratio (for latest year)	+20%	79,598	66,730	(66,730)	(50,715)
	-20%	(65,822)	(35,024)	35,024	26,618
Claims handling expenses	+20%	1,520	2,341	(2,341)	(1,779)
	-20%	(1,520)	(2,341)	2,341	1,779

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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

* The impact on equity reflects the impact net of tax at 24% (2020: 24%)

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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 2021:

Accident year	Note	Prior 2014 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
At the end of accident year		9,807,600,785	217,630,111	269,295,799	255,380,592	229,203,400	272,671,258	313,024,459	273,057,931	488,034,417	
One year later		2,190,794,746	225,821,390	277,009,059	233,065,696	233,005,418	251,051,292	289,984,005	242,515,414		
Two years later		2,135,213,929	222,266,869	227,100,093	228,241,786	242,028,112	245,858,466	289,668,899			
Three years later		2,093,836,336	218,599,624	254,138,660	230,276,918	275,770,232	544,822,936				
Four years later		2,183,724,040	213,023,141	259,395,746	230,704,386	280,875,777					
Five years later		2,123,083,767	216,092,591	259,439,623	232,951,499						
Six years later		2,103,539,854	211,625,922	249,269,363							
Seven years later		2,086,419,698	209,957,216								
Eight years later		2,064,172,418									
Nine years later											
Current estimate of cumulative claims incurred		2,064,172,418	209,957,216	249,269,363	232,951,499	280,875,777	544,822,936	289,668,899	242,515,414	488,034,417	4,602,267,939
At the end of accident year		7,897,962,740	73,154,298	83,570,279	109,406,241	109,039,935	123,665,261	140,159,058	118,648,169	119,537,013	
One year later		1,941,872,402	174,994,471	172,738,047	182,484,260	182,341,237	201,319,033	225,244,584	185,127,834		
Two years later		1,967,181,811	191,501,009	198,872,893	202,385,089	202,298,123	216,700,384	247,929,201			
Three years later		1,977,357,193	198,171,716	237,276,898	205,683,164	231,980,785	223,432,236				
Four years later		2,027,853,274	201,371,743	239,569,924	206,894,802	236,231,074					
Five years later		2,032,855,534	203,733,323	239,936,877	207,926,611						
Six years later		2,037,027,050	204,242,186	240,228,711							
Seven years later		2,039,839,017	205,961,466								
Eight years later		2,042,418,803									
Nine years later											
Cumulative payments to-date		2,042,418,803	205,961,466	240,228,711	207,926,611	236,231,074	223,432,236	247,929,201	185,127,834	119,537,013	3,708,792,949
Gross general insurance contract liabilities per Statement of Financial Position	12(i)	21,753,615	3,995,750	9,040,652	25,024,888	44,644,703	321,390,700	41,739,698	57,387,580	368,497,404	893,474,990

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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 2021:

Accident year	Note	Prior 2014 RM	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
At the end of accident year		6,281,706,794	143,087,271	145,035,562	171,217,017	175,031,561	214,863,801	223,509,818	198,101,391	192,620,104	
One year later		1,449,726,430	145,511,345	140,781,117	162,547,109	174,042,502	199,170,055	210,145,303	173,265,010		
Two years later		1,445,847,818	143,781,073	138,008,349	160,467,951	177,658,840	200,074,285	211,621,165			
Three years later		1,420,543,423	144,120,092	134,238,090	161,664,133	181,548,839	203,414,723				
Four years later		1,404,286,151	140,857,644	136,907,287	162,199,004	181,759,597					
Five years later		1,388,017,115	143,028,263	136,921,078	163,285,767						
Six years later		1,381,567,278	139,528,646	130,139,014							
Seven years later		1,379,681,111	139,300,616								
Eight years later		1,375,933,915									
Nine years later											
Current estimate of cumulative claims incurred		1,375,933,915	139,300,616	130,139,014	163,285,767	181,759,597	203,414,723	211,621,165	173,265,010	192,620,104	2,771,339,911
At the end of accident year		5,048,037,151	62,727,289	60,500,671	88,482,492	96,693,860	109,880,982	115,951,929	102,010,321	91,829,297	
One year later		1,319,104,353	118,472,967	109,508,077	134,081,944	149,825,095	170,041,154	177,003,508	145,510,061		
Two years later		1,337,216,147	129,984,384	120,434,727	145,114,015	160,947,622	181,959,204	190,814,399			
Three years later		1,341,940,159	133,945,014	124,101,663	147,420,696	164,493,268	186,282,216				
Four years later		1,344,027,724	135,542,447	124,721,684	148,387,353	165,651,904					
Five years later		1,345,889,815	136,464,738	124,852,089	148,999,608						
Six years later		1,349,881,222	136,740,468	124,931,058							
Seven years later		1,352,280,362	137,218,164								
Eight years later		1,354,507,240									
Nine years later											
Cumulative payments to-date		1,354,507,240	137,218,164	124,931,058	148,999,608	165,651,904	186,282,216	190,814,399	145,510,061	91,829,297	2,545,743,947
Net general insurance contract liabilities per Statement of Financial Position	12(i)	21,426,675	2,082,452	5,207,956	14,286,159	16,107,693	17,132,507	20,806,766	27,754,949	100,790,807	225,595,964

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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 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

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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

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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 investment assets 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 mass surrender of insurance policies due to 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.

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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
2021						
Investments:						
Amortised cost	544,219	8,988	510,945	33,780	-	553,713
FVOCI	504,216,269	92,679,405	330,579,570	41,074,670	30,819,046	495,152,691
FVTPL	227,131,190	429,400	3,885,850	9,214,549	216,326,190	229,855,989
Reinsurance assets	667,879,026	488,262,588	127,517,042	52,099,438	(42)	667,879,026
Insurance receivables	60,648,631	60,648,631	-	-	-	60,648,631
Other receivables	61,761,216	16,318,457	-	45,442,759	-	61,761,216
Cash and bank balances	46,630,299	46,630,299	-	-	-	46,630,299
Total assets	1,568,810,850	704,977,768	462,493,407	147,865,196	247,145,194	1,562,481,565

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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
2021 (cont'd.)						
Insurance contract liabilities	893,474,990	580,907,679	212,043,747	79,561,129	20,962,435	893,474,990
Lease liabilities	13,474,112	3,520,999	10,865,791	77,232	-	14,464,022
Deposits from reinsurers	3,291,066	3,291,066	-	-	-	3,291,066
Insurance payables	55,135,992	55,135,992	-	-	-	55,135,992
Other payables	64,004,536	62,794,821	603,414	701,244	-	64,099,479
Total liabilities	1,029,380,696	705,650,557	223,512,952	80,339,605	20,962,435	1,030,465,549

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31. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (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
2020						
Investments:						
Amortised cost	798,727	47,834	345,843	407,617	-	801,294
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	24,622,188	24,622,188	-	-	-	24,622,188
Total assets	1,091,117,851	234,236,866	374,848,504	208,565,806	249,317,620	1,066,968,796

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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
2020 (cont'd.)						
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	59,578,115	450,921	819,714	-	60,848,750
Total liabilities	526,206,566	293,318,178	166,183,110	41,572,769	26,677,933	527,751,990

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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:

	2021	2020
	RM	RM
<u>Assets/(liabilities):</u>		
<u>Assets:</u>		
- Accumulated net cash contributions to MMIP	12,849,491	13,849,491
- Other assets	32,593,268	34,523,390
Total Assets (Note 8)	<u>45,442,759</u>	<u>48,372,881</u>
<u>Liabilities:</u>		
- Insurance payables	-	(21,756)
- Other payables and provisions	(609,571)	(538,618)
Total Liabilities (Note 15)	<u>(609,571)</u>	<u>(560,374)</u>
Net assets held under MMIP	<u>44,833,188</u>	<u>47,812,507</u>
Insurance contract liabilities (Note 12)		
- Claim liabilities	(20,373,731)	(26,084,791)
- Premium liabilities	(717,713)	(1,833,615)
	<u>(21,091,444)</u>	<u>(27,918,406)</u>
Net position	<u>23,741,744</u>	<u>19,894,101</u>

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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*	Non-current**	Total
	RM	RM	RM
2021			
Assets			
Intangible assets	-	54,297,014	54,297,014
Property and equipment:			
Owned	-	3,953,017	3,953,017
Right-of-use assets	-	13,423,409	13,423,409
Investments:			
Amortised cost	-	544,219	544,219
FVOCI	93,276,830	410,939,439	504,216,269
FVTPL	-	227,131,190	227,131,190
Reinsurance assets	488,262,588	179,616,438	667,879,026
Insurance receivables	60,648,631	-	60,648,631
Other receivables	16,318,457	45,442,759	61,761,216
Deferred tax assets	-	3,726,860	3,726,860
Tax recoverable	3,234,175	-	3,234,175
Cash and bank balances	46,630,299	-	46,630,299
Total assets	708,370,980	939,074,345	1,647,445,325

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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*	Non-current**	Total
	RM	RM	RM
2021 (cont'd.)			
Liabilities			
Insurance contract liabilities	(580,907,679)	(312,567,311)	(893,474,990)
Lease liabilities	(3,105,720)	(10,366,924)	(13,472,644)
Deposits from reinsurers	(3,291,066)	-	(3,291,066)
Insurance payables	(55,135,992)	-	(55,135,992)
Other payables	(62,794,821)	(1,209,715)	(64,004,536)
Total liabilities	<u>(705,235,278)</u>	<u>(324,143,950)</u>	<u>(1,029,379,228)</u>
	<u>3,135,702</u>	<u>614,930,395</u>	<u>618,066,097</u>

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

** *Included in non-current FVOCI financial assets are quoted equity securities of RM30,819,046 with no maturity date.*

** *Included in non-current FVTPL financial assets are unquoted equity securities (RM17,639,720), perpetual debt securities (RM15,233,700) and collective investment schemes (RM184,288,036) with no maturity date.*

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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
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	46,099	752,628	798,727
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
Tax recoverable	1,584,586	-	1,584,586
Cash and bank balances	24,622,188	-	24,622,188
Total assets	<u>235,532,489</u>	<u>925,878,971</u>	<u>1,161,411,460</u>

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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
2020 (cont'd.)			
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	<u>(292,800,586)</u>	<u>(233,405,672)</u>	<u>(526,206,258)</u>
	<u>(57,268,097)</u>	<u>692,473,299</u>	<u>635,205,202</u>

* *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.*

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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 and counterparty according to their investment credit rating, which are actively monitored to manage the credit and concentration risk, and are being 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.

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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
2021			
Secured loans			
-	Vehicle loans	544,219	544,219
-	Computer loans	-	-
		<u>544,219</u>	<u>544,219</u>
2020			
Secured loans			
-	Vehicle loans	797,012	797,012
-	Computer loans	1,715	1,715
		<u>798,727</u>	<u>798,727</u>

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

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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
2021			
Financial assets at amortised cost:			
Loans	544,219	-	544,219
Financial assets at FVOCI:			
Malaysian government securities	127,918,820	3,568,690	131,487,510
Debt securities	336,373,871	5,535,842	341,909,713
Financial assets at FVTPL:			
Debt securities	24,265,646	921,086	25,186,732
Reinsurance assets	667,879,026	-	667,879,026
Insurance receivables	60,648,631	-	60,648,631
Other receivables	59,051,969	2,867,218	61,919,187
Cash and bank balances	46,151,132	479,167	46,630,299
	<u>1,322,833,314</u>	<u>13,372,003</u>	<u>1,336,205,317</u>
2020			
Financial assets at amortised cost:			
Loans	798,727	-	798,727
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	22,759,365	1,862,823	24,622,188
	<u>850,221,112</u>	<u>12,139,728</u>	<u>862,360,840</u>

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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).

	2021			
	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	544,219	-	-	544,219
	<u>544,219</u>	<u>-</u>	<u>-</u>	<u>544,219</u>
Loss allowance	-	-	-	-
Carrying amount	<u>544,219</u>	<u>-</u>	<u>-</u>	<u>544,219</u>

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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): (cont'd.)

		2021		
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
Debt securities at FVOCI				
Government guaranteed and low risk bonds	274,950,431	-	-	274,950,431
Investment grade (BBB to AAA)	163,495,384	34,468,840	-	197,964,224
Non-investment grade (C to BB)	-	482,568	-	482,568
	<u>438,445,815</u>	<u>34,951,408</u>	<u>-</u>	<u>473,397,223</u>
Loss allowance	(881,193)	(2,281,239)	-	(3,162,432)
Carrying amount	<u>437,564,622</u>	<u>32,670,169</u>	<u>-</u>	<u>470,234,791</u>

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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).

	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
	<u>798,727</u>	<u>-</u>	<u>-</u>	<u>798,727</u>
Loss allowance	-	-	-	-
Carrying amount	<u>798,727</u>	<u>-</u>	<u>-</u>	<u>798,727</u>

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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): (cont'd.)

		2020		
	12-month ECL (Stage 1) RM	Lifetime ECL not credit impaired (Stage 2) RM	Lifetime ECL credit impaired (Stage 3) RM	Total RM
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

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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			Not subject to credit risk RM	Past-due** RM	Total RM
	Government guaranteed/ Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM			
2021						
Financial assets at amortised cost:						
Loans	-	-	544,219	-	-	544,219
Financial assets at FVOCI:						
Malaysian government securities	131,487,510	-	-	-	-	131,487,510
Debt securities	341,427,145	482,568	-	-	-	341,909,713
Financial assets at FVTPL:						
Debt securities	25,186,732	-	-	-	-	25,186,732
Reinsurance assets	610,750,688	41,770,249	15,358,089	-	-	667,879,026
Insurance receivables	3,616,387	-	20,629,439	-	36,402,805	60,648,631
Other receivables	12,457,358	-	49,461,829	-	-	61,919,187
Cash and bank balances	46,630,299	-	-	-	-	46,630,299
	1,171,556,119	42,252,817	85,993,576	-	36,402,805	1,336,205,317

* 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 149.

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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:

	Neither past-due nor impaired			Not subject to credit risk	Past-due**	Total
	Government guaranteed/ Investment grade* (BBB - AAA)	Non-investment grade* (C to BB)	Not rated			
	RM	RM	RM	RM	RM	RM
2020						
Financial assets at amortised cost:						
Loans	-	-	798,727	-	-	798,727
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	-	33,947,950	-	44,657,381	83,933,925
Other receivables	12,863,661	-	53,270,323	-	-	66,133,984
Cash and bank balances	24,622,188	-	-	-	-	24,622,188
	692,649,229	7,581,082	117,473,148	-	44,657,381	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 149.

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

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (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	31 to 60	61 to 90	91 to 180	More than	Total	Past due and	Total
		RM	days	days	days	180 days	RM	impaired	past due
			RM	RM	RM	RM	RM	RM	RM
2021									
Insurance									
receivables	11,465,789	10,089,624	5,551,591	6,503,964	2,791,838	36,402,806	2,632,176	39,034,982	
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	

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.

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

Market And Credit Risk (cont'd.)

(vi) Credit Risk (cont'd.)

This disclosure below relates to MFRS 9 which came into effect in 2018.

Amounts arising from Expected Credit Losses ("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 jurisdiction 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.

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

Market And Credit Risk (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.

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

Market And Credit Risk (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 factors that 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 a contractual payment 6 months after it falls due (i.e. after expiration of the maximum granted credit terms). 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.

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

Market And Credit Risk (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, and based on such information, 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 2021.

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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.

	2021			Total	2020			Total
	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)		12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	
	RM	RM	RM	RM	RM	RM	RM	RM
Loans at amortised cost								
Opening balance	-	-	-	-	5,905	-	-	5,905
Net remeasurement of loss allowance	-	-	-	-	-	-	-	-
New financial assets purchased	-	-	-	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	(5,905)	-	-	(5,905)
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
Debt securities at FVOCI								
Opening balance	1,078,595	861,446	-	1,940,041	527,357	1,333,984	-	1,861,341
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(113,599)	113,599	-	-	-	-	-	-
Additional loss allowance due to transfer	-	98,429	-	98,429	-	-	-	-
Net remeasurement of loss allowance	88,453	124,201	-	212,654	71,578	(284,380)	-	(212,802)
New financial assets purchased	75,848	-	-	75,848	273,547	-	-	273,547
Financial assets that have been derecognised	(317,211)	-	-	(317,211)	(375,329)	-	-	(375,329)
Changes in models/risk parameters	69,107	1,083,566	-	1,152,673	581,442	(188,158)	-	393,284
Closing balance	881,193	2,281,241	-	3,162,434	1,078,595	861,446	-	1,940,041

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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			Total	2019			Total
	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)		12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	
	RM	RM	RM	RM	RM	RM	RM	RM
Other receivables								
Opening balance	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-

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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.

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

Market And Credit Risk (cont'd.)

(viii) Sensitivity Analysis On Financial Risks (cont'd.)

The table below shows the market risk sensitivity analysis:

	Changes in variable	2021		2020		
		Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000	
Equity (KLCI)	+20%	1	4,685	+20%	2	4,832
	-20%	(1)	(4,685)	-20%	(2)	(4,832)
Interest rate	Yield curve +50 bps	(233)	(12,321)	Yield curve +50 bps	(258)	(14,448)
	Yield curve -50 bps	233	12,448	Yield curve -50 bps	258	14,639
Credit spread	Spread +100 bps	-	(20,759)	Spread +100 bps	-	(24,393)
	Spread -100 bps	-	21,083	Spread -100 bps	-	24,986

* The impact on equity reflects the after taxation impact, when applicable.

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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.

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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 telecommunication 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 misuse, 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.

Climate Risk

Climate Risk arises from climate change, which is a collection of complex problems and actions that may create material implications on the financial stability and sustainability of a company. If our Company fails to recognise and manage climate risks in a timely manner, we may face substantial financial consequences through the impact on our business, operations as well as investments. In 2021, reporting, management and monitoring of climate risk by the Company had begun under the purview of the senior management, with oversight from the Board of Directors.

In Malaysia, climate change has precipitated extreme weather changes that caused major flash flooding in 8 states across the nation at the end of 2021. The flooding was the nation's worst since 2015 in terms of displaced residents, and resulted in widespread damages on properties and motor vehicles, placing significant pressure on the general insurance industry. Of the large number of claims reported, majority were from Klang Valley and in the Fire line of business. The Company's loss exposure had triggered the catastrophe reinsurance cover, and this event had resulted in higher expenses from actuarial reserves and reinstatement premium for catastrophe reinsurance coverage. The risk of major flooding remains present alongside climate change.

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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 2021			
Assets measured at fair value on a recurring basis:			
Financial assets at FVOCI:			
Malaysian government securities	-	131,487,510	131,487,510
Debt securities	-	341,909,713	341,909,713
Quoted equity securities	30,819,046	-	30,819,046
Financial assets at FVTPL:			
Debt securities	-	25,186,732	25,186,732
Quoted equity securities	16,702	-	16,702
Unquoted equity securities	-	17,639,720	17,639,720
Collective investment schemes	-	184,288,036	184,288,036
	<u>30,835,748</u>	<u>700,511,711</u>	<u>731,347,459</u>
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	-	182,606,112	182,606,112
	<u>31,783,354</u>	<u>718,604,492</u>	<u>750,387,846</u>

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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 2021, as prescribed under the RBC Framework is provided below:

	2021	2020
	RM	RM
Eligible Tier 1 Capital:		
Share capital (paid-up)	100,000,000	100,000,000
Reserves, including retained earnings	354,078,738	364,721,359
	<u>454,078,738</u>	<u>464,721,359</u>
Tier 2 Capital:		
Eligible Reserves	2,601,574	15,729,939
	<u>2,601,574</u>	<u>15,729,939</u>
Deductions	(58,023,873)	(48,916,925)
	<u>(58,023,873)</u>	<u>(48,916,925)</u>
Total Capital Available	<u>398,656,439</u>	<u>431,534,373</u>

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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. The Competition Appeal Tribunal (“CAT”) delivered its decision with regard to the stay application on 23 March 2021, unanimously deciding to allow the insurers’ respective stay applications and ordered that the Cease and Desist order and financial penalty imposed on all insurers be stayed pending disposal of the appeal before the CAT. The insurers’ appeal had been heard on 12, 15, 16, 19 and 26 November 2021, and is fixed for continued hearing on 17, 21, and 24 March 2022, and 6 and 21 April 2022. The CAT will hear the MyCC’s submission and PIAM/insurers’ rebuttal submission during the continued hearing.

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.