

AMGENERAL INSURANCE BERHAD
197801007153
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2021

Company No: 197801007153

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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 March 2021.

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net profit for the year	<u>246,517</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 operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 March 2020 were as follows:

	RM'000
In respect of financial year ended 31 March 2020:	
Irredeemable non-cumulative convertible preference shares ("INCPS"):	
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 23 April 2020 and paid on 7 September 2020	3,355
Redeemable non-cumulative convertible preference shares ("RNCPS"):	
Dividend of 5.5% per RNCPS on 10,000,000 RNCPS based on issue price of RM10.00 each declared on 23 April 2020 and paid on 7 September 2020	<u>5,500</u>
	<u>8,855</u>
Ordinary shares:	
Final single tier dividend of 33.00 sen per ordinary share on 600,000,000 ordinary shares declared on 12 June 2020 and paid on 7 September 2020	<u>198,000</u>
	<u>206,855</u>

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SHARE OPTIONS

There were no options granted during the financial year by the Company to any parties to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

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

Phoon Soon Keong (Chairman)

(Independent, non-executive director)

Wong Teck Kat

(Independent, non-executive director)

Sathasivan Kunchambo

(Independent, non-executive director)

Dato' Sulaiman Bin Mohd Tahir

(Non-independent, non-executive director)

Ramesh Pillai

(Independent, non-executive director)

Daniel Francis Coman (Appointed on 24 August 2020)

(Non-independent, executive director)

Duncan Victor Brain (Resigned on 24 August 2020)

(Non-independent, executive director)

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance.

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CORPORATE GOVERNANCE (CONT'D.)

Directors' Profiles

The following are the profiles of Directors of the Company:

PHOON SOON KEONG (CHAIRMAN) **Independent Non-Executive Director**

Mr Phoon Soon Keong, a Malaysian, aged 65, was appointed as a Director on 15 August 2017 and was subsequently appointed Chairman of the Company on 1 January 2018.

He is a qualified Certified Public Accountant, Malaysia ("CPA") and is a member of the Malaysian Institute of Accountants. He started his career with Price Waterhouse [currently known as PricewaterhouseCoopers ("PwC")] as an articled student in 1975 and obtained his CPA qualification in 1979. He left PwC to start his own practice in 1980 and was a partner in P.C Chan & Partners from 1981 to 1986. He re-joined PwC Audit Practice as a Senior Manager in December 1986 and was Executive Director in the Firm from 1994 to 2010. During his tenure in PwC, he was the Director-in-charge of the Valuation & Strategy Practice of PricewaterhouseCoopers Consulting Sdn Bhd.

He has extensive experience in audit, business recovery, turnaround management, corporate and debt restructuring, corporate finance, mergers and acquisitions and share valuations.

He was the Acting Chief Executive Officer of PanGlobal Insurance Berhad from January 2007 to April 2009. He was appointed as the Appointed Person of Tahan Insurance (Malaysia) Berhad ("Tahan") by Bank Negara Malaysia ("BNM") under Section 59(4)(a) of the Insurance Act 1996 to assume control of the whole of Tahan's property, business and affairs and to carry on the whole of its business and affairs on behalf of BNM from May 2009 to December 2010.

He was a Director of Assunta Hospital from 2005 to 2012 and was the Chairman of the Assunta Board from June 2011 to December 2012 and the Board of Governors of Pusat Kebajikan Good Shepherd from March 2008 to March 2019. Currently, he is a Director of Good Shepherd Services and Assisi Palliative Care Berhad, two charitable organisations.

He is also an Independent Non-Executive Director of AmMetLife Insurance Berhad.

DANIEL FRANCIS COMAN **Non-Independent Executive Director**

Mr Daniel Francis Coman, a New Zealander, aged 58, was appointed as a Director on 24 August 2020. He is a Member of the Investment Committee of Directors of the Company.

He is a Chartered Accountant and holds a Bachelor of Commerce in Accountancy and Business Administration from Canterbury University, New Zealand.

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CORPORATE GOVERNANCE (CONT'D.)

Directors' Profiles (Cont'd.)

DANIEL FRANCIS COMAN (CONT'D.) Non-Independent Executive Director (Cont'd.)

He is Insurance Australia Group's ("IAG") Deputy Chief Financial Officer, having commenced in the role in January 2016. The Deputy Chief Financial Officer role has accountability for the reinsurance and tax functions across the IAG Group, along with oversight of the Group financial reporting.

He joined IAG's New Zealand business as Chief Financial Officer in 2010. In 2014, he accepted the role of Executive General Manager of Transformation for IAG's New Zealand business, leading its strategic change program including the integration of Lumley General Insurance which was acquired on 30 June 2014.

Prior to IAG, he spent 20 years in the United Kingdom in senior financial services industry roles at Barclays Bank, Schrodgers and PriceWaterhouseCoopers. He commenced his career with PriceWaterhouseCoopers in Auckland.

He is also a Director of AmGeneral Holdings Berhad and IAG's Group of Companies.

WONG TECK KAT Independent Non-Executive Director

Mr Wong Teck Kat, a Malaysian, aged 71, was appointed as a Director on 1 March 2016. He is the Chairman of the Nomination and Remuneration Committee of Directors, and a Member of the Audit and Examination Committee of Directors and Risk Management Committee of Directors of the Company.

He holds a Master in Business Administration from Henley, Brunel University, United Kingdom, and a Master in Christian Study from Seminari Theoloji Malaysia. He obtained the qualification of an Associate of Chartered Insurance Institute and was later conferred as a Chartered Insurer.

He has about 40 years of general insurance experiences. He began his career with the Commercial Union Assurance Co. Ltd. in 1970 and was the first trained Fire Surveyor in Malaysia in 1974. He served as the Chief Executive Officer ("CEO") of Malaysia & Nippon Insurans Berhad and later the CEO of Zurich Insurance Malaysia Berhad. He retired in 2009 from the merged entity of MCIS Zurich Insurance Berhad.

He has also served as a Member of the Management Committee of the Persatuan Insurans Am Malaysia and Chairman of its Fire Sub-Committee, Chairman and a Council Member of the Insurance Mediation Bureau of Malaysia, a Board Member of the ISM Insurance Malaysia Sdn Bhd, Chairman of the Council of the Motor Insurance Bureau of West Malaysia and a Board Member of the Financial Mediation Bureau.

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CORPORATE GOVERNANCE (CONT'D.)

Directors' Profiles (Cont'd.)

SATHASIVAN KUNCHAMBOO **Independent Non-Executive Director**

Mr Sathasivan Kunchambo, a Malaysian, aged 63, was appointed as a Director on 1 March 2016. He is the Chairman of the Risk Management Committee of Directors, and a Member of the Nomination and Remuneration Committee of Directors and Audit and Examination Committee of Directors of the Company.

He holds a Master's degree in Business Administration from the University of Birmingham, United Kingdom and a Bachelor's degree in Business Administration from the National University of Malaysia. He also holds a Bachelor of Law degree from the University of London and Certificate of Legal Practice from the Legal Profession Qualifying Board, Malaysia.

He possesses over 19 years of experience in regulating and supervising the Insurance industry in Malaysia, in particular general insurance, offshore insurance, reinsurance and Takaful.

He joined Bank Negara Malaysia ("BNM") in September 1982 and retired in November 2013. From December 2005 to November 2013, he held the position of Senior General Manager at Credit Guarantee Corporation Malaysia Berhad, a subsidiary of BNM. Prior to that, he held various positions in the Insurance Regulation Department at BNM namely, Deputy Director of Strategic Planning, Deputy Director of General Insurance, Senior Manager of Motor Insurance, Senior Manager of Reinsurance, Manager of Labuan Offshore Insurance and Manager of Legal.

He is also an Independent Non-Executive Director of AmMetLife Insurance Berhad.

DATO' SULAIMAN BIN MOHD TAHIR **Non-Independent Non-Executive Director**

Dato' Sulaiman Bin Mohd Tahir, a Malaysian, aged 58, was appointed as a Director on 1 November 2016. He is a Member of the Nomination and Remuneration of Committee of Directors and Investment Committee of Directors of the Company.

He holds a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology (RMIT University) in Australia. He has a wealth of experience backed by more than three decades of managing and spearheading growth in the Malaysian banking industry.

He is the Group Chief Executive Officer of AMMB Holdings Berhad ("AMMB") and Chief Executive Officer of AmBank (M) Berhad ("AmBank"), the commercial banking arm of AmBank Group, positions he has held since November 2015.

Prior to joining AmBank Group, he has held many prominent positions at one of the largest banks in Malaysia before his appointment as Chief Executive Officer/Executive Director of the Bank.

He also sits on the Board of several other subsidiaries of AMMB, namely AmGeneral Holdings Berhad, AmMetLife Insurance Berhad, AmMetLife Takaful Berhad and AMAB Holdings Sdn Bhd.

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CORPORATE GOVERNANCE (CONT'D.)

Directors' Profiles (Cont'd.)

RAMESH PILLAI Independent Non-Executive Director

Mr Ramesh Pillai, a Malaysian, aged 56, was appointed as a Director on 15 August 2017. He is the Chairman of the Audit and Examination Committee of Directors and Investment Committee of Directors, and a Member of the Risk Management Committee of Directors of the Company.

He holds a Bachelor of Science (Honours) in Economics with Accountancy from Loughborough University, United Kingdom, where he specialised in Economics and Banking in general, and Islamic Banking in particular. He is a fellow of the Institute of Chartered Accountants in England and Wales (1991) and is a member of the Malaysian Institute of Accountants, a Certified Enterprise Risk Manager, a Certified Risk Professional, a Qualified Risk Director, a certified Islamic Enterprise Risk Manager and a Qualified Risk Auditor.

He started his career with Price Waterhouse's Financial Institutions specialism in London gaining experience in Audit, Consultancy and Corporate Finance assignments. He has over 35 years of risk management experience, both in the public and private sector and has held various positions, including that of Chief Executive Officer, Finance Director and Group Chief Risk Officer (in Conventional and Islamic Banks). He was also with Pengurusan Danaharta Nasional Berhad as its Chief Risk Officer as well as Bank Negara Malaysia as the Head of its Deposit Insurance Taskforce.

He is currently the Chairman of the Board of Governors of the Institute of Enterprise Risk Practitioners (providing professional certification and academic programs in Enterprise Risk Management) as well as the Group Managing Director of Friday Concepts (International), an International Boutique Governance, Risk Management and Compliance (GRC) consultancy.

He is also an Independent Non-Executive Director of AmInvestment Bank Berhad and Insurans Islam Taib Holdings Sdn Bhd Group of Companies in Brunei.

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CORPORATE GOVERNANCE (CONT'D.)

Directors' Training

The Board recognises the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the Company's strategy and operating structure, financial highlights, product and marketing strategies, risk management strategy, legal and regulatory compliance requirements, people initiatives presented by the Chief Executive Officer with various Head of Departments, and organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a director, Code of Ethics, Constitution of the Company, Board Charter and Board Committees' Terms of Reference, amongst others.

Apart from the Financial Institutions Directors' Education (FIDE) Programme accredited by ICLIF, all Directors appointed to the Board, have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Company. The Directors also attend Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Company's strategic direction. In addition, the Directors are constantly updated on information relating to the Company's development and industry development through discussion at Board meetings with the Senior Management team.

Board Responsibilities

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are observed by the Company. The Board supervises the management of the Company in business policies and affairs with the goal of enhancing shareholder's value.

Board meetings are scheduled at least six (6) times per year where the Board addresses key matters concerning strategy, finance, organisation structure, business development, human resource, and establishes guidelines for overall business, risk and control policies, capital allocation as well as approves all key business developments.

Board Activities

As at reporting date, the Board comprises six (6) members with wide-ranging skills and experience. The Board is represented by one (1) non-independent, non-executive director, one (1) non-independent, executive director and four (4) independent, non-executive directors of calibre, and with necessary skills and diverse corporate experience to ensure that strategies proposed by the Management are fully discussed and examined, as well as to take into account the long term interests of various stakeholders. During the financial year, the Board has met ten (10) times.

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CORPORATE GOVERNANCE (CONT'D.)

Board Activities (Cont'd.)

All directors review the Board reports prior to the Board meetings. The reports are issued with sufficient time to enable the directors to obtain further explanations, where necessary, before the meetings.

In addition, the Board decides on matters reserved specifically for its decision, including the approval of corporate and business plans and budgets, acquisitions and disposals of assets that are material to the Company, major investments, changes to the management and control structure of the Company, including key policies, procedures and authority limits.

The Board has also adopted a policy for induction and education of directors. The program is to provide essential and comprehensive information to a new director in order for him to be familiar with relevant insurance industry regulatory requirements and the Company's nature of business. The directors may also request independent professional advice, at the Company's expense. The Company Secretary, to whom the directors have independent access, assists the Board and keeps it abreast of relevant laws and regulations.

Membership and board meetings for the financial year ended 31 March 2021

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Phoon Soon Keong (Chairman)	10/10
Wong Teck Kat	10/10
Sathasivan Kunchambo	10/10
Dato' Sulaiman Bin Mohd Tahir	10/10
Ramesh Pillai	10/10
Daniel Francis Coman (Appointed on 24 August 2020)	6/6*
Duncan Victor Brain (Resigned on 24 August 2020)	4/4^

Note:

* There were six board meetings held from 24 August 2020 to 31 March 2021.

^ There were four board meetings held from 1 April 2020 to 24 August 2020.

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Board Committees, together with the Committee established at AMMB Holdings Berhad, the ultimate holding company, which were set up to assist the Board in certain areas of deliberation are as follows:

- (1) Nomination and Remuneration Committee of Directors
- (2) Risk Management Committee of Directors
- (3) Audit and Examination Committee of Directors
- (4) Investment Committee of Directors
- (5) Group Information Technology Committee (Established at AMMB Holdings Berhad)

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CORPORATE GOVERNANCE (CONT'D.)

Nomination and Remuneration Committee

As at reporting date, the Committee comprises two (2) independent, non-executive directors and one (1) non-independent, non-executive director. The Chairman of the Committee is an independent, non-executive director.

The functions of the Committee are:

- (a) to review and assess the appointment/re-appointment and remuneration of Directors and Key Management Personnel for recommendation to the Board;
- (b) to oversee the establishment of a formal and transparent procedure for the performance evaluation of Directors and Key Management Personnel; and
- (c) to advise the Board on the optimal size and mix of skills of the Board and Board Committees.

**Membership and meetings of the Nomination and Remuneration Committee
for the financial year ended 31 March 2021**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Wong Teck Kat (Chairman)	7/7
Sathasivan Kunchambo	7/7
Dato' Sulaiman Bin Mohd Tahir	7/7

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CORPORATE GOVERNANCE (CONT'D.)

Risk Management Committee

As at reporting date, the Committee comprises three (3) independent, non-executive directors. The Chairman of the Committee is an independent, non-executive director. The primary objective of the Risk Management Committee is to oversee senior management's activities in managing the key risk areas of the Company and to determine that the risk management process is in place and functioning effectively.

The functions of the Committee are:

- (a) to exercise oversight over all enterprise wide risk and compliance matters;
- (b) to ensure that risk management (including technology and cybersecurity) and compliance strategies, frameworks and implementations are appropriate, effective and consistent with applicable statutory and regulatory standards and requirements as well as the requirements of AmBank Group; and
- (c) to ensure adequate infrastructure and resources are in place to support effective risk management and compliance activities.

**Membership and meetings of the Risk Management Committee
for the financial year ended 31 March 2021**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Sathasivan Kunchambo (Chairman)	8/8
Wong Teck Kat	8/8
Ramesh Pillai	8/8

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CORPORATE GOVERNANCE (CONT'D.)

Risk Management Functions

Risk Management Department is independent of the various business units within the Company and functions as an enabler for adoption of appropriate risk management strategies, frameworks, policies and procedures in support of the Company's business objectives. The Risk Management Department employs an Enterprise Risk Management approach that holistically identifies, assesses, treats, monitors and reports the various risks, in line with the Board approved Risk Appetite Statement. The Risk Appetite Statement is reviewed annually and defines the risk acceptance thresholds that guide appropriate levels of risk taking throughout the Company. The Risk Management Department provides continued assurance of appropriate levels of risk to Management and to the Board through periodic reporting of risks through Key Risk Indicators, departmental and enterprise-wide risk profiles, risk incident reporting, risk control testing and risk self-assessment regimes. Risk Management Department works closely with the other independent functions such as the internal audit function, the actuarial function and the compliance function to achieve an effective enterprise-wide risk management outcome for the Company.

Actuarial Functions

The Actuarial department ensures the financial soundness of the Company in line with regulatory guidelines and requirements.

The department performs calculation of technical reserves, stress test of the Company's capital position, independent reviews on product pricing, and conducts analysis and investigations to monitor the performance of the business and its capital position. The department communicates its findings to Management and to the Board through periodic reporting of the insurance liabilities and capital position. The department works closely with other functions in the Company in order to ensure the financial stability of the Company. The department is led by the Chief Actuary who reports independently to the Board of Directors and operationally to the CEO in his capacity as the Appointed Actuary ("AA").

Compliance Functions

The Compliance function of AmGeneral works within a defined Compliance Framework. This Framework ensures that the management of Compliance Risk is done in a structured manner and inculcates a strong compliance culture in the Company. The Framework promotes the safety and soundness of AmGeneral by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Framework defines the roles and responsibilities of various stakeholders in managing Compliance Risk. The Chief Compliance Officer is the central point of authority for AmGeneral's compliance matters and is responsible for providing an institution-wide view on the management of Compliance Risk. The Compliance Department is a dedicated department established to provide necessary focus on the management of Compliance Risk ranging from dissemination of new regulatory guidelines, compliance advisory and support on business initiatives, assessment, monitoring and reporting of Compliance Risk company-wide.

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CORPORATE GOVERNANCE (CONT'D.)

Internal Control Framework

The Board-approved Internal Control Framework serves as a foundation to ensure that the internal control system is appropriately designed and is performing effectively to ensure the Company complies with its statutory and regulatory obligations.

The Internal Control Framework comprises Activity and Company Level controls which correspond to the activities of the business units as well as company-wide assurance and oversight functions based on the Three Lines of Defence approach.

The internal controls at the Company are assessed and reviewed periodically based on a predetermined methodology to ensure their effectiveness and to facilitate further improvements. The Company Internal Control Framework itself is reviewed and updated on an annual basis to ensure its continued relevance.

Audit and Examination Committee

As at reporting date, the Audit and Examination Committee ("AEC") comprises three (3) independent, non-executive directors. The Chairman of the Committee is an independent, non-executive director. The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Company's assets and shareholder's investments.

The primary objective of the AEC is to provide assistance to and review and report to the Board in relation to:

- (i) fulfilling the statutory and fiduciary responsibilities of the Board;
- (ii) monitoring of the accounting and financial reporting practices of the Company; and
- (iii) determining that the Company has adequate policies, procedures and guidelines as well as operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, including protection of the assets of the Company.

Membership and meetings of the Audit and Examination Committee for the financial year ended 31 March 2021

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Ramesh Pillai (Chairman)	10/10
Wong Teck Kat	10/10
Sathasivan Kunchambo	10/10

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Internal Audit Function

The Internal Audit function is established at AMMB Group level, headed by the Group Chief Internal Auditor.

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating within the framework defined in the Audit Charter.

The AEC approves Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Company. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor and the external auditor whenever necessary.

The scope of internal audit includes the review of risk management processes, operational controls, financial controls, compliance with laws and regulations, and information technology systems and security.

Group Internal Audit prioritises its efforts on performing audits in accordance with the audit plan, based on a comprehensive risk assessment of all areas of insurance activities. The risk-based audit plan is reviewed at least semi-annually taking into account of the changing business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and projects to advise on risk management and internal control measures.

Investment Committee

As at reporting date, the Committee comprises one (1) non-independent, non-executive director, one (1) non-independent, executive director and one (1) independent, non-executive director. The Chairman of the Committee is an independent, non-executive director. The primary objective of the Investment Committee is to oversee Investment Management's activities in managing the investment funds of the Company and that the risk management and compliance processes are effective.

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CORPORATE GOVERNANCE (CONT'D.)

Investment Committee (Cont'd.)

The functions of the Committee are:

- (a) to review the investment performances of the investment portfolio by internal investment and the external fund managers;
- (b) to review and recommend the investment strategies within approved risk levels for the Board's approval;
- (c) to present the market outlook and strategies with regards to asset classes in the investment portfolio; and
- (d) to review portfolio exposures to ensure investment under management is in compliance with the approved guidelines and mandates.

Membership and meetings of the Investment Committee for the financial year ended 31 March 2021

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Ramesh Pillai (Chairman)	6/6
Dato' Sulaiman Bin Mohd Tahir	6/6
Daniel Francis Coman (Appointed on 24 August 2020)	4/4*
Duncan Victor Brain (Resigned on 24 August 2020)	2/2^

Note:

* There were four Investment Committee meetings held from 24 August 2020 to 31 March 2021.

^ There were two Investment Committee meetings held from 1 April 2020 to 24 August 2020.

Group Information Technology Committee ("GITC")

The Committee is established at AMMB Holdings Berhad, the ultimate holding company. The Committee comprises three (3) members, all of whom are non-executive directors and chaired by an independent, non-executive director.

The Committee is responsible for providing governance for Information Technology ("IT") and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. The key responsibilities of the Committee include, amongst others, the following functions:

- (a) to provide strategic direction for IT development within the Group and ensuring that IT, digitalisation and technology-related innovation strategic plans are aligned and integrated with the Group's business objectives and strategy;

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Group Information Technology Committee (“GITC”) (Cont'd.)

- (b) to ensure the establishment of Group-wide IT policies, procedures and frameworks including IT security and IT risk management and e-banking services to ensure the effectiveness of internal control systems and the reliability of the management information systems;
- (c) to provide oversight of the Group’s long term IT strategic plans, budgets and implementation;
- (d) to establish key performance indicators and service level agreements in measuring and monitoring the overall performance, efficiency and effectiveness of IT services delivered or received by the Group;
- (e) to oversee the adequacy and utilisation of the Group’s IT resources including computer hardware, software, personnel who involved in the development, modification and maintenance of computer programme and related standard procedures;
- (f) to advise the Board on matters within the scope of GITC, as well as any major IT related issues that merit the attention of the Board;
- (g) to review and approve deviations as allowed under Bank Negara Malaysia guidelines;
- (h) to review IT planning and strategy, including the financial, tactical and strategic benefits of proposed significant information technology-related projects and initiatives; and
- (i) to be responsible for overall oversight function on IT matters including ex-ante risk assessments on e-banking services.

Remuneration Framework

Qualitative Disclosures

The Company Remuneration Objectives

The Company, being a subsidiary of AMMB Holdings Berhad ("AMMB"), has the opportunity to participate in the 'Long Term Incentive [AMMB's Executives' Share Scheme ("ESS")]' for its Senior Management staff. The management of the Long Term Incentive (AMMB's ESS) is in accordance with the ESS' By-Laws.

The Company’s remuneration practice, which is applicable to all divisions within the Company, seeks to ensure that we are able to attract, motivate and retain employees to deliver long-term shareholder returns taking into consideration risk management principles and standards set out by the BNM Policy Document on Corporate Governance.

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Remuneration Framework (Cont'd.)

Qualitative Disclosures (Cont'd.)

The Company Remuneration Objectives (Cont'd.)

When formulating and periodically reviewing and refining the remuneration strategy, consideration is given to align our remuneration approach with the Company's medium to long-term strategic objectives, culture and values in order to drive desired behaviours and achieve objectives set out in the balanced scorecard.

The following are the main thrusts of the Company's remuneration strategy:

- (a) Pay for performance measured against the balanced scorecard
 - Instill and drive meritocracy
 - Ensure linkages between total compensation and annual, medium- and long-term strategic objectives
 - Balance employees' actual fixed and variable pay mix to drive sustainable performance and alignment to the Company's culture and value of assessing both behavioural and quantitative Key Performance Indicators ('KPIs') achievements
- (b) Provide market competitive pay
 - Benchmark total compensation against other peer organisations of similar size and standing in the markets and businesses where the Company operates
 - Drive pay-for-performance differentiation with differentiated benchmarking quartile for top performing employees
- (c) Guard against excessive risk-taking
 - Focus on achieving risk-adjusted returns that are consistent with the Company's prudent risk and capital management, as well as emphasis on long-term sustainable outcomes
 - Design variable pay payout structure with long-term performance through deferral and allowance for clawback arrangements

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CORPORATE GOVERNANCE (CONT'D.)

Remuneration Framework (Cont'd.)

Qualitative Disclosures (Cont'd.)

The Company's Approach to Remuneration

The Company's remuneration is made up of two (2) components; fixed pay and variable pay:

Components	Form	Purpose	Application
Fixed Pay	a) Base Salary b) Fixed Allowances	Pay for Position (or market value of the job) to attract and retain by ensuring the fixed pay is competitive vis-à-vis comparable organisations	<ul style="list-style-type: none">• Adhering to the market value of the job at the individual's competency level, skills, experience and responsibilities• Fixed amount paid monthly• Typically reviewed and revised annually
Variable Pay	a) Short-Term Incentive (Performance Bonus) b) Long-Term Incentive (AMMB Executives' Share Scheme ("ESS"))	Pay for Performance <ul style="list-style-type: none">• Focus employees on the achievement of objectives which are aligned to value creation for the shareholders• Align payout to time horizon of risk to avoid excessive risk taking and provide for deferral, malus and forfeiture arrangements	<ul style="list-style-type: none">• Based on the performance of the Company, line of business and the employee's individual performance• Measured against a balanced scorecard with KPIs and targets agreed at the beginning of each financial year• Awards for individuals in Senior Management positions and/or positions with significant organisational responsibilities that have material impact on the Company's performance and risk profile is subject to deferral

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**AmGENERAL INSURANCE BERHAD
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CORPORATE GOVERNANCE (CONT'D.)

Remuneration Framework (Cont'd.)

Qualitative Disclosures (Cont'd.)

The Company's Approach to Remuneration (Cont'd.)

The Company's remuneration is made up of two (2) components; fixed pay and variable pay (Cont'd.):

Components	Form	Purpose	Application
Variable Pay (Cont'd.)			<ul style="list-style-type: none"> ● Deferral remunerations are paid in AMMB shares with the objective of: <ul style="list-style-type: none"> <i>i) Retaining key employees (retention bonus)</i> <i>ii) Drive the Group's long-term performance and sustainability (AMMB ESS)</i> ● Administration of both deferral remunerations provides for malus and forfeiture arrangements

Determination of Short-Term Incentive (Performance Bonus) Pool and Individual Award

The following mechanics are used to derive the Company's short term incentive pools and business units:

Group's Short-Term Incentive Pool	<p>A function of profits benchmarked against peer comparators and calibrated against:</p> <ul style="list-style-type: none"> ● Risk adjustments ● Distribution of earning between shareholders and employees 	<p>Guided by the Company's performance against the balanced scorecard set in the beginning of the financial year</p> <ul style="list-style-type: none"> ● Comprises financial and non-financial metrics covering employees, customers, shareholders, risks and compliance objectives ● Reviewed and evaluated by the Group Nomination and Remuneration Committee ("GNRC") and subsequently approved by the Board
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**AmGENERAL INSURANCE BERHAD
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CORPORATE GOVERNANCE (CONT'D.)

Remuneration Framework (Cont'd.)

Qualitative Disclosures (Cont'd.)

Determination of Short-Term Incentive (Performance Bonus) Pool and Individual Award (Cont'd.)

Business Units / Subsidiaries Short-Term Incentive Pool Allocation	The Group pool is reallocated to the business units/ subsidiaries taking into account: <ul style="list-style-type: none">• each unit's actual performance achievement against target• the relative performance of each unit	Inputs from control functions (Audit, Compliance and Risk) are sought. Currently only the Chief Internal Auditor is measured independently with the performance outcome being recommended by the AEC.
--	--	--

Individual award is based on the employee's performance, measured through a balanced scorecard that takes into account qualitative and quantitative objectives as set out in the individual's KPIs.

Sales employees are incentivised via respective sales incentive plans to promote the development of mutually beneficial long-term relationships with their customers, rather than short-term gains. As such, non-financial metrics such as customer satisfaction and fair dealing principles are incorporated into their KPIs and with compliance as payout triggers.

Long-Term Incentive (AMMB ESS)

The AMMB ESS forms the Group's long-term compensation component that is forward looking with rewards based on the Group's future performance. The ESS allows for the following objectives to be met:

- Align long-term interest of Senior Management with those of shareholders;
- Retain key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- Attract potential employees with the relevant skills to contribute to the Group and to create value for shareholders; and
- Deliver compensation in a manner that drives the long-term performance of the Group.

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**AmGENERAL INSURANCE BERHAD
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CORPORATE GOVERNANCE (CONT'D.)

Remuneration Framework (Cont'd.)

Qualitative Disclosures (Cont'd.)

Long-Term Incentive (AMMB ESS) (Cont'd.)

The ESS is delivered in the form of performance shares which comprise two (2) elements:

- Main Award, that vests over a period of three (3) years, contingent on the Group meeting its long-term performance targets.
- Retention Award (deferred component of the Short Term Incentives received), administered through the ESS plan vested in two (2) equal instalments over a period of two (2) years. No further performance condition applies.

Variable Pay Deferrals

Variable pay for individuals in Senior Management positions and/or positions with significant organisational responsibilities that have a material impact on the Group's performance and risk profile is subject to deferral.

The deferral award is paid in the form of AMMB performance shares with the objective of:

- Retaining key employees (Retention Award); and
- Drive the Group's long-term performance and sustainability (Main ESS Award).

Malus of unvested awards will be triggered by material violation, negligent, wilful misconduct and fraud, and breach of compliance, Anti Money Laundering ("AML") and Counter Financing of Terrorism ("CFT") as outlined in the ESS By-Laws.

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AmGENERAL INSURANCE BERHAD
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CORPORATE GOVERNANCE (CONT'D.)

Remuneration Framework (Cont'd.)

Quantitative Disclosure

The breakdown of the total amount of remuneration awards for nine (9) Material Risk Takers including CEO for FY2021 are disclosed in table below:-

Total value of remuneration award for the financial year	Unrestricted*(RM)	Deferred* (RM)
Fixed remuneration		
● Cash-based	6,305,263	-
● Shares and share-linked instruments	-	-
● Other	-	-
Variable remuneration		
● Cash-based	1,471,457	-
● Shares and share-linked instruments	529,260	1,910,633
● Other	1,452,672	-

* Includes remuneration to the previous Chief Executive Officer who had resigned during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 25) by reason of a contract made by the Company or a related corporation with any director or with a firm in which he is a member, or with a company in which he has a substantial financial interest, except for the related party transactions as shown in Note 30 to the financial statements.

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AmGENERAL INSURANCE BERHAD
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INDEMNIFICATION OF DIRECTORS

The Company through its ultimate holding company, AMMB Holdings Berhad ("AMMB"), has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM200 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests in shares and options in the holding company of Directors in office at the end of the financial year were as follows:

Direct interest:

In the ultimate holding company, AMMB:

Shares	Number of ordinary shares			Balance at 31.03.2021
	Balance at 01.04.2020	Bought	Sold	
Dato' Sulaiman Bin Mohd Tahir	68,500	249,100	-	317,600

Scheme shares	Number of ordinary shares pursuant to AMMB Executives' Share Scheme				Balance at 31.03.2021
	Balance at 01.04.2020	Granted *	Vested ~	Forfeited ^	
Dato' Sulaiman Bin Mohd Tahir	1,401,800	1,627,400	(249,100)	-	2,780,100

Notes:

* Granted pursuant to the new Executives' Share Scheme of AMMB Holdings Berhad ("AMMB"), the Company's ultimate holding company. The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of the service condition and the performance targets of AMMB Group, and all other conditions as set out in the By-Laws of AMMB Executives' Share Scheme.

~ Vesting of Scheme Shares.

^ Forfeited due to non-vesting of Short Term/Long Term Incentive Award pursuant to the By-Laws of AMMB Executives' Share Scheme.

Other than as disclosed, the Directors in office at the end of the financial year had no interest in the shares of the Company or its related corporations during the financial year.

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AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

MANAGEMENT INFORMATION

The Directors review Board papers and reports prior to the Board meetings. Information and materials relating to the operations of the Company that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Company, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued timely to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Company policies.

OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position, income statement and statement of comprehensive income 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 allowances for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances 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 had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of allowances for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

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AmGENERAL INSURANCE BERHAD
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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 of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

(g) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are disclosed in Note 13(c) and Note 38 to the financial statements.

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The immediate holding, penultimate holding and ultimate holding companies are AmGeneral Holdings Berhad, AMAB Holdings Sdn Bhd and AMMB Holdings Berhad, respectively. All the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company, AMMB Holdings Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.

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AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

AUDITORS

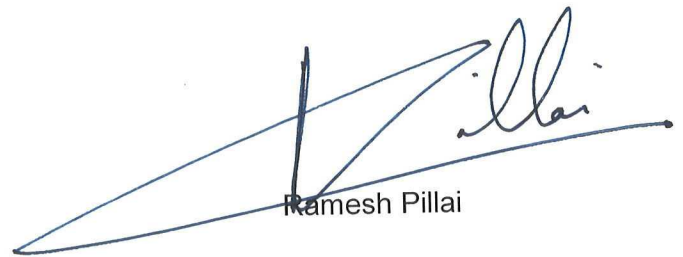
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 June 2021.



Dato' Sulaiman Bin Mohd Tahir
Kuala Lumpur, Malaysia



Ramesh Pillai

Company No: 197801007153

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

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

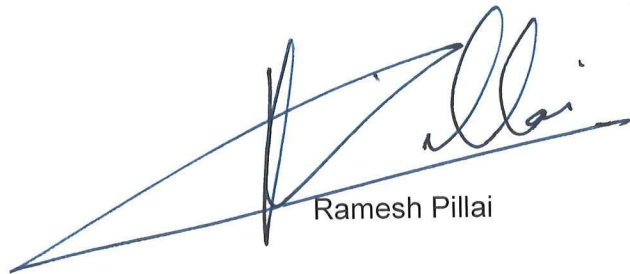
We, Dato' Sulaiman Bin Mohd Tahir and Ramesh Pillai, being two of the directors of AmGeneral Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 142 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 June 2021.



Dato' Sulaiman Bin Mohd Tahir

Kuala Lumpur, Malaysia



Ramesh Pillai

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

I, Tan See Dip, being the officer primarily responsible for the financial management of AmGeneral Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 142 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
above named Tan See Dip at
Kuala Lumpur in Wilayah Persekutuan
on **21 JUL 2021**


Tan See Dip

Before me,

Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur



Company No: 197801007153

**Independent auditors' report to the member of
AmGeneral Insurance Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AmGeneral Insurance Berhad, which comprise the statement of financial position as at 31 March 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 142.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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 (including the Corporate Governance disclosures), but does not include the financial statements of the Company and our auditors' report thereon.

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

Company No: 197801007153

**Independent auditors' report to the member of
AmGeneral Insurance Berhad
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (Cont'd.)

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

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

Responsibilities of the directors for the financial statements

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

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

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.

Company No: 197801007153

**Independent auditors' report to the member of
AmGeneral Insurance Berhad
(Incorporated in Malaysia)**

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

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

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

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

Company No: 197801007153

Independent auditors' report to the member of
AmGeneral Insurance Berhad
(Incorporated in Malaysia)

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.



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



Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 03083/07/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
11 June 2021

Company No: 197801007153

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Property and equipment	3	13,765	16,020
Right-of-use assets	4	45,681	47,545
Intangible assets	5	45,502	49,873
Investments	6	3,640,064	3,589,124
Reinsurance assets	7	379,795	393,372
Insurance receivables	8	52,892	64,536
Other receivables	9	80,330	105,323
Deferred tax assets	10	23,005	18,211
Tax recoverable		-	13,338
Cash and short-term deposits	11	139,967	171,697
Non-current assets held for sale	12	1,562	1,562
Total assets		4,422,563	4,470,601
Equity			
Share capital	13	1,061,000	1,061,000
Retained earnings		552,643	612,732
Total equity		1,613,643	1,673,732
Liabilities			
Insurance contract liabilities	14	2,422,975	2,437,059
Other liabilities	15	30,236	25,659
Lease liabilities	4	46,480	46,843
Insurance payables	16	56,033	42,120
Provision for taxation		5,414	-
Other payables	17	229,432	225,831
Provision for retirement benefits	18	18,350	19,357
Total liabilities		2,808,920	2,796,869
Total equity and liabilities		4,422,563	4,470,601

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

Company No: 197801007153

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
Gross earned premiums	19.1	1,560,088	1,567,409
Earned premiums ceded to reinsurers	19.2	<u>(161,530)</u>	<u>(138,677)</u>
Net earned premiums	19.3	<u>1,398,558</u>	<u>1,428,732</u>
Investment income	20	161,952	167,026
Realised gains/(losses)	21	211	(17,780)
Fair value (losses)/gains	22	(12,513)	28,512
Fees and commission income		37,308	36,251
Other operating income	23	<u>2,712</u>	<u>4,407</u>
Other revenue		<u>189,670</u>	<u>218,416</u>
Gross benefits and claims paid	24	(850,870)	(977,341)
Claims ceded to reinsurers	24	77,372	101,854
Gross change in contract liabilities	24	13,468	98,452
Change in contract liabilities ceded to reinsurers	24	<u>(17,005)</u>	<u>(73,236)</u>
Net claims	24	<u>(777,035)</u>	<u>(850,271)</u>
Fees and commission expenses		(182,191)	(189,864)
Management expenses	25	(340,461)	(322,164)
Finance costs	4	<u>(2,547)</u>	<u>(2,306)</u>
Other expenses		<u>(525,199)</u>	<u>(514,334)</u>
Profit before taxation		285,994	282,543
Taxation	26	<u>(39,477)</u>	<u>(34,189)</u>
Net profit for the year		<u>246,517</u>	<u>248,354</u>

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

Company No: 197801007153

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
Net profit for the year		<u>246,517</u>	<u>248,354</u>
Other comprehensive income:			
<u>Other comprehensive gain not to be reclassified to the income statement in subsequent periods:</u>			
Re-measurement gains on defined benefit plans	18.3	328	1,238
Tax effects thereon	18.3	(79)	(297)
Net other comprehensive gain not to be reclassified to the income statement in subsequent periods		<u>249</u>	<u>941</u>
Total other comprehensive gain for the year, net of taxation		<u>249</u>	<u>941</u>
Total comprehensive income for the year		<u>246,766</u>	<u>249,295</u>
Earnings per share (sen)			
Basic	27.1	<u>41</u>	<u>41</u>
Diluted	27.2	<u>41</u>	<u>40</u>

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

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AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

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

		<i>Non- distributable</i>		<i>Distributable</i>
	Note	Share capital RM'000 (Note 13)	Retained earnings RM'000	Total equity RM'000
At 1 April 2019		1,061,000	653,792	1,714,792
Net profit for the year		-	248,354	248,354
Other comprehensive income		-	941	941
Total comprehensive income for the year		-	249,295	249,295
Dividends on INCPS and RNCPS	28	-	(14,355)	(14,355)
Dividends on ordinary shares	28	-	(176,000)	(176,000)
Redemptions of RNCPS	13(c)	-	(100,000)	(100,000)
At 31 March 2020		1,061,000	612,732	1,673,732
At 1 April 2020		1,061,000	612,732	1,673,732
Net profit for the year		-	246,517	246,517
Other comprehensive income		-	249	249
Total comprehensive income for the year		-	246,766	246,766
Dividends on INCPS and RNCPS	28	-	(8,855)	(8,855)
Dividends on ordinary shares	28	-	(198,000)	(198,000)
Redemptions of RNCPS	13(c)	-	(100,000)	(100,000)
At 31 March 2021		1,061,000	552,643	1,613,643

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

Company No: 197801007153

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 RM'000	2020 RM'000
Operating activities			
Profit before taxation		285,994	282,543
Adjustments for:			
Investment income	20	(161,952)	(167,026)
Realised (gains)/losses	21	(211)	17,780
Fair value losses/(gains)	22	12,513	(28,512)
Depreciation of property and equipment	3/25	5,972	9,449
Property and equipment written-off	25	18	42
Depreciation of right-of-use assets	4/25	13,238	13,971
Amortisation of intangible assets	5/25	15,076	14,845
Reversal of allowance for impairment losses on reinsurance assets	7/25	(186)	(381)
Reversal of allowance for impairment losses on insurance receivables	8/25	(2,331)	(3,431)
Recovery of bad debts written-off	25	(46)	(96)
Retirement benefits expense	18.2/25.1	790	1,887
Non-capitalised property and equipment charged to income statement	3	-	4
Non-capitalised intangible assets charged to income statement	5	-	10
Covid-19 related rent concessions	4	(22)	-
Finance costs on lease liabilities	4	2,547	2,306
Total adjustments		<u>(114,594)</u>	<u>(139,152)</u>
Changes in working capital:			
Purchase of AC financial assets	6.4	(414)	(4,525)
Purchase of FVTPL financial investments	6.4	(534,061)	(414,338)
Proceeds from sale of FVTPL financial assets	6.4	470,981	539,579
Proceed from maturities of AC financial assets	6.4	246	202
Reinsurance assets		13,763	71,868
Insurance receivables		14,021	(316)
Other receivables		25,855	1,593
Insurance contract liabilities		(14,084)	(89,992)
Other liabilities		4,577	5,630
Insurance payables		13,913	(124,140)
Other payables		3,601	(16,232)
Net decrease in working capital		<u>(1,602)</u>	<u>(30,671)</u>

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AmGENERAL INSURANCE BERHAD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D.)

	Note	2021 RM'000	2020 RM'000
Operating activities (Cont'd.)			
Dividend income received		158,625	161,711
Interest income received		2,589	4,415
Retirement benefits paid		(1,469)	(1,123)
Income tax paid		(25,598)	(44,346)
Net cash generated from operating activities		<u>303,945</u>	<u>233,377</u>
Investing activities			
Proceeds from disposal of non-current assets held for sale		-	7,929
Proceeds from disposal of property and equipment		6	65
Purchase of property and equipment	3	(3,735)	(2,998)
Purchase of intangible assets	5	(10,705)	(9,549)
Net cash used in investing activities		<u>(14,434)</u>	<u>(4,553)</u>
Financing activities			
Payment of lease liabilities	4	(14,386)	(14,367)
Dividend paid on INCPS and RNCPS	28	(8,855)	(14,355)
Dividend paid on ordinary shares	28	(198,000)	(176,000)
Redemption of RNCPS	13(c)	(100,000)	(100,000)
Net cash used in financing activities		<u>(321,241)</u>	<u>(304,722)</u>
Net decrease in cash and cash equivalents		(31,730)	(75,898)
Cash and cash equivalents at beginning of year		<u>171,697</u>	<u>247,595</u>
Cash and cash equivalents at end of year		<u>139,967</u>	<u>171,697</u>
Cash and cash equivalents comprise:			
Cash at banks and on hand	11	129,748	98,019
Short-term deposits (with original maturity of less than three months) with:			
Licensed banks	11	<u>10,219</u>	<u>73,678</u>
Cash and cash equivalents		<u>139,967</u>	<u>171,697</u>

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

Company No: 197801007153

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 March 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 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Menara Shell, No 211 Jalan Tun Sambanthan, 50470 Kuala Lumpur.

The immediate holding, penultimate holding and ultimate holding companies are AmGeneral Holdings Berhad, AMAB Holdings Sdn. Bhd. and AMMB Holdings Berhad ("AMMB"), respectively. All the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company, AMMB is listed on the Main Market of Bursa Malaysia Securities Berhad.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 June 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and 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 fully adopted the Revised Conceptual Framework and amendments to MFRSs as described fully in Note 2.3.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

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

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AmGENERAL INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (Cont'd.)

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

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2.2 Summary of significant accounting policies

(a) Investments in subsidiaries and basis of non-consolidation

Subsidiaries are those entities over which the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee;
and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries, which relate to investments in collective investment schemes, are carried at fair value.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Property and equipment

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

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Work-in-progress are not depreciated until the development is completed and is available for use.

The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(d).

Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation of property and equipment is provided on a straight-line basis, to write-off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	50 years
Office improvements	3 to 5 years
Furniture and fittings	10 years
Office equipment and computers	3 to 10 years
Motor vehicles	5 years

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 or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) 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 for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Computer application software work-in-progress is not amortised until the asset is fully completed and brought in use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets which comprise computer application software are amortised over their estimated finite useful lives of 5 to 7 years.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that is expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Investments and other financial assets

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

For debt instruments, the classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. For equity instruments, equity security that is not held for trading may be designated and measured at FVOCI. This election is irrevocable and made on an investment-by-investment basis at inception of the trade. With the exception of insurance receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially 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. Insurance receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

For debt instruments, in order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Investments and other financial assets (Cont'd.)

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes insurance receivables and other receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Investments and other financial assets (Cont'd.)

Financial instruments – initial recognition and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. For debt instruments, financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset 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) the Company has transferred substantially all the risks and rewards of the asset; or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When 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 risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date.

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 by 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.

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

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 all input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Fair value measurement (Cont'd.)

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.

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

For investments in unit and property trust funds and collective investment schemes, fair value is determined by reference to published net asset values.

(h) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

For insurance receivables and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Impairment of financial assets (Cont'd.)

When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account. The gross carrying amount of the financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company makes an assessment with respect to the timing and amount of the write-off based on whether there is reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

(i) Equity instruments

Share capital and share issuance expenses

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend on ordinary share capital

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

INCPS and RNCPS

INCPS and RNCPS are classified as equity as they are non-redeemable and are redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. The terms of the INCPS and RNCPS are disclosed in Note 13.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Product classification

The Company may issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts when the Company 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. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Company currently only issues contracts that transfer insurance risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Reinsurance

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

Ceded reinsurance arrangements do not relieve the Company from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(I) General insurance underwriting results

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

Gross premiums

Gross premiums are recognised as income in the 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 risk assumed during that particular financial period, as in the case of direct policies, following individual risks' inception dates.

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

Premium liabilities

Premium liabilities 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(n).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Claim liabilities

A liability for outstanding claims 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 recoveries to settle the present obligation at the reporting date.

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

Acquisition costs

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

(m) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(f), have been met.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 RBC Framework issued by BNM.

These liabilities comprise claim liabilities and premium liabilities.

Claim liabilities

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

Premium liabilities

Premium liabilities are the higher of the following:

- (a) aggregate of the unearned premium reserves ("UPR"); or
- (b) the best estimate value of the Company's unexpired risk reserves ("URR") as at the valuation date and the PRAD calculated at the overall level.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) General insurance contract liabilities (Cont'd.)

UPR

The UPR represent the portion of the premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial period.

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

- (a) 25% method for Malaysian marine cargo, aviation cargo and transit business
- (b) Daily time apportionment method for all other classes
- (c) 1/24th method for inward treaty business

URR

The URR is the 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 administration of these policies and settling the relevant claims, and expected future premium refunds. The URR is discounted at a risk free rate.

Liability adequacy test

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Other revenue recognition

Rental income

Rental income is recognised on a straight line basis over the lease term in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised in the financial statements on an accrual basis using the effective interest method except for interest on loans which are considered non-performing, i.e., where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

Dividend income

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

Realised gains and losses on investments

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

Fees and commission income

Reinsurance commission income is recognised in the income statement for policy administration services, 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) Taxation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(r) Employee benefits

Short-term benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years/periods. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Employee benefits (Cont'd.)

Defined benefit plans

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the statement of comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the Company recognises restructuring-related costs.

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statement.

Share-based compensation

The ultimate holding company, AMMB, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors or employees of the AMMB Group of Companies ("AMMB Group") based on the financial and performance criteria and such conditions as it may deem fit.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the income statement as "Employee benefits expenses", together with a corresponding increase in prepayment to the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The estimated number of grants to be ultimately vested and its financial impact are reviewed quarterly and adjustments made accordingly to the income statement to reflect changes in the non-market vesting conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Employee benefits (Cont'd.)

Share-based compensation (Cont'd.)

Upon vesting, any losses arising from the differences between the fair value of vested shares or options at vesting date and the fair value of vested shares or options at grant date is payable to AMMB with the corresponding amount recognised directly in retained earnings.

(s) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currencies are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities of the Company, comprising insurance payables and other payables, except for those covered under MFRS 4 and MFRS 119, are classified as other financial liabilities.

Insurance payables and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(u) Cash and cash equivalents

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

The statement of cash flows is prepared using the indirect method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Leases

The determination of whether an arrangement is, or contains, a lease is based on whether the arrangement conveys a right to control the use the asset, even if that right is not explicitly specified in an arrangement.

(i) The Company as a lessee

Leases are recognised as a right-of-use ("ROU") asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Leases (Cont'd.)

(i) The Company as a lessee (Cont'd.)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Company is reasonably certain to obtain ownership of the underlying asset at the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Company elected to account for a Covid-19 related rent concession that meets all the following conditions in the same way as they would if they were not lease modifications:

- (i) The change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the considerations for the lease immediately preceding the change;
- (ii) any reduction in lease payments affects only payments due on or before 30 June 2022; and
- (iii) there is no substantive change to other terms and conditions of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Leases (Cont'd.)

(i) The Company as a lessee (Cont'd.)

The Company accounts for such Covid-19 related rent concessions as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

Until 31 March 2020, the requirement under the MFRS 16 stipulated for a change in lease payments, other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, depends on whether that change meets the definition of a lease modification.

If a rent concession results from a lease modification, the Company accounts for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Company accounts for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

(ii) The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised over the term of the lease on a straight-line basis. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(w) Non-current assets held for sale

Non-current assets are classified as asset held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Revised Conceptual Framework and amendments to MFRSs:

On 1 April 2020, the Company adopted the following:

- Revised Conceptual Framework for Financial Reporting
- Amendments to MFRS 3 - *Definition of a Business*
- Amendments to MFRS 4 *Insurance Contracts* - Extension of the Temporary Exemption from Applying MFRS 9
- Amendments to MFRS 9 and MFRS 7 - *Interest Rate Benchmark Reform*
- Amendments to MFRS 101 and MFRS 108 - *Definition of Material*
- Amendment to MFRS 16 *Leases* - COVID-19-Related Rent Concessions

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

Amendment to MFRS 16 *Leases* (COVID-19-related rent concessions and COVID-19-related rent concessions beyond 30 June 2021)

The Company has early adopted the Amendments to MFRS 16 *Leases* (Covid-19 related rent concessions and COVID-19-related rent concessions beyond 30 June 2021) for the first time in its annual financial statements ended 31 March 2021, with the date of initial application of 1 April 2020.

In accordance with the transitional provisions provided in the Amendments to MFRS 16, the comparative information for 2020 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles under MFRS 16. The accounting policies on lessee accounting for rent concessions are disclosed on Note 2.2(v)(i).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective

The new Standards and Amendments to Standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new Standards and Amendments to Standards, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2021

- *Interest Rate Benchmark Reform - Phase 2* (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

Effective for financial periods beginning on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018-2020
- Reference to the Conceptual Framework (Amendments to MFRS 3)
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to MFRS 116)
- *Onerous Contracts - Cost of Fulfilling a Contract* (Amendments to MFRS 137)

Effective for financial periods beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17
- *Classification of Liabilities as Current or Non-Current* (Amendments to MFRS 101)
- *Disclosure of Accounting Policies* (Amendments to MFRS 101)
- *Definition of Accounting Estimates* (Amendments to MFRS 108)

Deferred

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

Management expects that the adoption of the above new Standards and Amendments 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 on the following page:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (CONT'D.)

MFRS 17 Insurance Contracts and Amendment to MFRS 17

In August 2017, the MASB issued MFRS 17 Insurance Contracts ("MFRS 17"), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 Insurance Contracts ("MFRS 4") that was issued in 2005. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

Based on the Amendments to MFRS 17, the standard is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Company plans to adopt MFRS 17 on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that MFRS 17 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

(i) *Deferred tax assets (Note 10)*

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) *Income taxes (Note 26)*

The Company is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(iii) *Property and equipment (Note 3)*

Property and equipment (PPE) requires the review of the residual value and remaining useful life of an item of property and equipment at least at each financial year end.

Management estimates that the residual values and remaining useful lives of the Company's assets continue to be applicable for the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(a) Critical judgements made in applying accounting policies (Cont'd.)

(iv) Impairment of insurance receivables and other receivables (Note 2.2(h), Note 8 and Note 9)

The Company uses a provision matrix to calculate ECLs for insurance receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(v) Leases – renewal option (Note 2.2(v)(i) and Note 4)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases, to lease the assets for additional terms of one to three years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases of premises due to the significance of these assets to its operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(b) Key sources of estimation uncertainty and assumptions

(i) *Valuation of general insurance contract liabilities (Note 14)*

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

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

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

The sensitivity of key assumptions applied in deriving the general insurance contract liabilities and the consequential impact to the income statement and equity is disclosed in Note 33.

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.)

(ii) Uncertainty in accounting estimates for general insurance business (Note 14)

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims.

Generally, premium and 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 is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the initial 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 premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. 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, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

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.)

(iii) Fair value of assets determined using valuation techniques (Note 2.2(g) and Note 35)

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, valuation by third party experts and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

The valuation techniques described above are calibrated annually.

(iv) Pipeline premium

The Company has recognised gross pipeline premium for the current financial year. Estimation made by management is based on the actual pipeline trend during the past 2 years. As estimations are inherently uncertain, actual premiums may differ from the estimated premiums.

(v) Amortisation of intangible assets (Note 5)

The Company recognises the costs of significant development of knowledge based software and computer applications as intangible assets with finite useful lives. Such software and applications are unique to the requirements of the insurance business and the Company establishes that these development costs will generate economic benefits beyond one period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(b) Key sources of estimation uncertainty and assumptions (Cont'd.)

(v) *Amortisation of intangible assets (Note 5) (Cont'd.)*

The Company estimates the useful lives of these software costs to be between 5 to 7 years.

The Company expects that amortisation on software under development will only commence after the software and computer applications are available to be used and generate future economic benefits.

(vi) *Defined benefits plans (Note 18)*

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 18.

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3. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office impro- vements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost									
At 1 April 2019	240	290	3,418	14,407	15,725	76,912	1,267	-	112,259
Additions	-	-	-	739	1,035	974	250	-	2,998
Disposals	-	-	-	-	-	(424)	(472)	-	(896)
Written-off	-	-	-	-	(80)	(62)	-	-	(142)
Transferred to non-current assets held for sale (Note 12)	(240)	(290)	(3,178)	-	-	-	-	-	(3,708)
Charge to income statement	-	-	-	-	-	(4)	-	-	(4)
At 31 March 2020	-	-	240	15,146	16,680	77,396	1,045	-	110,507
Additions	-	-	-	699	631	2,282	38	85	3,735
Disposals	-	-	-	-	-	-	(23)	-	(23)
Written-off	-	-	-	-	(1)	(89)	-	-	(90)
Reclassification	-	-	-	(140)	119	21	-	-	-
At 31 March 2021	-	-	240	15,705	17,429	79,610	1,060	85	114,129

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3. PROPERTY AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office impro- vements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
<i>Accumulated depreciation</i>									
At 1 April 2019	-	40	656	10,477	7,061	67,287	1,073	-	86,594
Charge for the year (Note 25)	-	2	27	2,497	1,444	5,424	55	-	9,449
Disposals	-	-	-	-	-	(424)	(472)	-	(896)
Written-off	-	-	-	-	(49)	(51)	-	-	(100)
Transferred to non-current assets held for sale (Note 12)	-	(42)	(645)	-	-	-	-	-	(687)
At 31 March 2020	-	-	38	12,974	8,456	72,236	656	-	94,360
Charge for the year (Note 25)	-	-	3	1,542	1,464	2,857	106	-	5,972
Disposals	-	-	-	-	-	-	(23)	-	(23)
Written-off	-	-	-	-	(1)	(71)	-	-	(72)
At 31 March 2021	-	-	41	14,516	9,919	75,022	739	-	100,237
<i>Accumulated impairment</i>									
At 1 April 2019/31 March 2020/2021	-	-	127	-	-	-	-	-	127
<i>Net carrying amount</i>									
At 31 March 2020	-	-	75	2,172	8,224	5,160	389	-	16,020
At 31 March 2021	-	-	72	1,189	7,510	4,588	321	85	13,765

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4. LEASES

The Company as lessee

The Company has entered into lease agreements for rental of office premises. Leases of office premises generally have lease terms between one to three years. The lease agreements include extension and termination options.

The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

	2021	2020
	RM'000	RM'000
<i>Office premises</i>		
Cost		
At 31 March 2020/2019	60,251	-
Initial application of MFRS 16	-	52,789
At 1 April 2020/2019, as restated	60,251	52,789
Additions	3,988	8,817
Remeasurement	7,538	-
Modification to lease term	(152)	(90)
Derecognition of expired leases	(1,768)	(1,265)
At 31 March 2021/2020	<u>69,857</u>	<u>60,251</u>
Accumulated depreciation		
At 1 April 2020/2019	12,706	-
Charge for the year (Note 25)	13,238	13,971
Derecognition of expired leases	(1,768)	(1,265)
At 31 March 2021/2020	<u>24,176</u>	<u>12,706</u>
Carrying amount		
At 31 March 2021/2020	<u>45,681</u>	<u>47,545</u>

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4. LEASES (CONT'D.)

The Company as lessee (Cont'd.)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease liabilities

	2021	2020
	RM'000	RM'000
<i>Office premises</i>		
At 31 March 2020/2019	46,843	-
Initial application of MFRS 16	-	50,265
At 1 April 2020/2019, as restated	<u>46,843</u>	<u>50,265</u>
Additions	3,988	8,694
Remeasurement	7,538	-
Lease finance costs	2,547	2,306
Payments	(14,386)	(14,367)
Covid-19 related rent concessions	(22)	-
Modification to lease term	(28)	(55)
At 31 March 2021/2020	<u>46,480</u>	<u>46,843</u>

The following are income/(expenses) recognised in income statement:

	Note	2021	2020
		RM'000	RM'000
Depreciation of right-of-use assets	25	(13,238)	(13,971)
Lease finance costs		(2,547)	(2,306)
Lease expense of low-value assets	25	(293)	(305)
COVID-19-related rent concessions (included in Note 25)		22	-
Income from subleasing right-of-use assets (included in Note 23)		<u>40</u>	<u>197</u>

The Company had total cash outflows for payment of lease liabilities of RM14,386,000 (2020: RM14,367,000). The Company also have non-cash additions and remeasurements to right-of-use assets of RM11,526,000 (2020: RM8,817,000).

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5. INTANGIBLE ASSETS

	Computer application software - in use RM'000	Computer application software - work in progress RM'000	Total RM'000
Cost			
At 1 April 2019	111,186	1,615	112,801
Additions	8,384	1,165	9,549
Reclassification	1,614	(1,614)	-
Charge to income statement	(10)	-	(10)
At 31 March 2020	<u>121,174</u>	<u>1,166</u>	<u>122,340</u>
Additions	7,222	3,483	10,705
Reclassification	1,165	(1,165)	-
At 31 March 2021	<u>129,561</u>	<u>3,484</u>	<u>133,045</u>
Accumulated amortisation			
At 1 April 2019	57,622	-	57,622
Amortisation for the year (Note 25)	14,845	-	14,845
At 31 March 2020	<u>72,467</u>	<u>-</u>	<u>72,467</u>
Amortisation for the year (Note 25)	15,076	-	15,076
At 31 March 2021	<u>87,543</u>	<u>-</u>	<u>87,543</u>
Net carrying amount			
At 31 March 2020	<u>48,707</u>	<u>1,166</u>	<u>49,873</u>
At 31 March 2021	<u>42,018</u>	<u>3,484</u>	<u>45,502</u>

Intangible assets comprise computer application software which were developed or acquired to meet the specific requirements of the Company and computer application software under development which are not yet available for use.

6. INVESTMENTS

	Note	2021 RM'000	2020 RM'000
Equity securities		38,295	31,501
Unit and property trust funds		3,328	10,123
Loans		456	702
Fixed and call deposits		20,180	19,766
Collective investment schemes:			
Investments in subsidiaries	6.3	<u>3,406,522</u>	<u>3,340,126</u>
Investments in others		<u>171,283</u>	<u>186,906</u>
		<u>3,577,805</u>	<u>3,527,032</u>
		<u>3,640,064</u>	<u>3,589,124</u>

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6. INVESTMENTS (CONT'D.)

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

	Note	2021 RM'000	2020 RM'000
Fair value through profit or loss ("FVTPL")	6.1	3,619,428	3,568,656
Amortised cost ("AC")	6.2	20,636	20,468
		<u>3,640,064</u>	<u>3,589,124</u>

6.1 FVTPL

	2021 RM'000	2020 RM'000
At fair value:		
Mandatory measured:		
Collective investment schemes - Quoted in Malaysia		
Investment in subsidiaries (Note 6.3)	3,406,522	3,340,126
Investment in others	171,283	186,906
Equity securities:		
Quoted in Malaysia	38,295	28,766
Unquoted in Malaysia	-	2,735
Unit and property trust funds:		
Quoted in Malaysia	3,328	10,123
	<u>3,619,428</u>	<u>3,568,656</u>

6.2 AC

	2021 RM'000	2020 RM'000
At amortised cost:		
Fixed and call deposits with licensed banks	20,180	19,766
Loans:		
Mortgage loans	519	761
Other loans	7	11
	526	772
Less: Provision for expected credit loss ("ECL")	(70)	(70)
	<u>456</u>	<u>702</u>
	<u>20,636</u>	<u>20,468</u>

Movement in the provision for expected credit loss ("ECL")

At 1 April 2020/2019 and 31 March 2021/2020	<u>70</u>	<u>70</u>
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6. INVESTMENTS (CONT'D.)

6.2 AC (Cont'd.)

The carrying value of the fixed and call deposits with licensed banks approximates fair value due to the relatively short term maturities.

The carrying values of the mortgage loans and other loans are reasonable approximates of fair values due to the insignificant impact of discounting.

6.3 Collective investment schemes - investments in subsidiaries

	2021 RM'000	2020 RM'000
At fair value:		
FVTPL (Note 6.1)	<u>3,406,522</u>	<u>3,340,126</u>
	<u>3,406,522</u>	<u>3,340,126</u>

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

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company	
		2021	2020
AmlIncome Institutional 1	Investment in debt securities and money market	99.89%	99.06%
AmlIncome Institutional 3	Investment in debt securities and money market	99.94%	99.52%
AmCash Plus	Investment in government related securities and money market	99.45%	97.35%

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6. INVESTMENTS (CONT'D.)

6.4 Carrying values of investments

	AC RM'000	FVTPL RM'000	Total RM'000
At 1 April 2020	20,468	3,568,656	3,589,124
Purchases	414	534,061	534,475
Maturities	(246)	-	(246)
Disposals	-	(470,981)	(470,981)
Recorded in income statement:			
Realised gains	-	205	205
Fair value losses	-	(12,513)	(12,513)
At 31 March 2021	<u>20,636</u>	<u>3,619,428</u>	<u>3,640,064</u>
At 1 April 2019	16,145	3,684,671	3,700,816
Purchases	4,525	414,338	418,863
Maturities	(202)	-	(202)
Disposals	-	(539,579)	(539,579)
Recorded in income statement:			
Realised losses	-	(19,286)	(19,286)
Fair value gains	-	28,512	28,512
At 31 March 2020	<u>20,468</u>	<u>3,568,656</u>	<u>3,589,124</u>

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7. REINSURANCE ASSETS

	Note	2021 RM'000	2020 RM'000
Reinsurance assets on:			
Claims liabilities	14.1	323,935	340,940
Premium liabilities	14.2	57,932	54,690
		<u>381,867</u>	<u>395,630</u>
Allowance for impairment losses		(2,072)	(2,258)
		<u>379,795</u>	<u>393,372</u>

Movement in the provision for impairment losses of reinsurance assets:

	Individually impaired	
	2021 RM'000	2020 RM'000
At 1 April 2020/2019	2,258	2,639
Reversal for the year	(186)	(381)
At 31 March 2021/2020	<u>2,072</u>	<u>2,258</u>

8. INSURANCE RECEIVABLES

	2021 RM'000	2020 RM'000
Due premiums including agents, brokers and co-insurers balances	65,737	83,266
Due from reinsurers and cedants	5,887	6,025
	<u>71,624</u>	<u>89,291</u>
Allowance for impairment losses	(18,732)	(24,755)
	<u>52,892</u>	<u>64,536</u>

Movement in the provision for impairment losses of insurance receivables:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 April 2019	833	32,145	32,978
Transfer between category	3,563	(3,563)	-
Charge/(reversal) for the year	775	(4,206)	(3,431)
Amounts written-off	(3,957)	(835)	(4,792)
At 31 March 2020	<u>1,214</u>	<u>23,541</u>	<u>24,755</u>

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8. INSURANCE RECEIVABLES (CONT'D.)

Movement in the provision for impairment losses of insurance receivables: (Cont'd.)

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 April 2020	1,214	23,541	24,755
Transfer between category	8,455	(8,455)	-
Reversal for the year	(1,993)	(338)	(2,331)
Amounts written-off	(3,692)	-	(3,692)
At 31 March 2021	<u>3,984</u>	<u>14,748</u>	<u>18,732</u>

The carrying amounts disclosed above approximate fair value at the reporting date.

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

	2021 RM'000	2020 RM'000
Gross amount of recognised insurance receivables	80,323	100,573
Less: Gross amount of recognised insurance payables set-off against the insurance receivables that met the criteria of legally enforceable right to set-off	<u>(8,699)</u>	<u>(11,282)</u>
Net amount of recognised in insurance receivables	<u>71,624</u>	<u>89,291</u>

9. OTHER RECEIVABLES

	2021 RM'000	2020 RM'000
Income due and accrued	13,746	13,008
Share of net assets held under Malaysian Motor Insurance Pool ("MMIP")**	47,235	48,518
Amounts owing by ultimate holding, holding and other related companies *	548	2,566
Reinsurance deposits	9	526
Sundry receivables	11,781	17,126
Current account with Custodian	<u>7,406</u>	<u>23,958</u>
	80,725	105,702
Allowance for impairment losses	<u>(395)</u>	<u>(379)</u>
	<u>80,330</u>	<u>105,323</u>

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9. OTHER RECEIVABLES (CONT'D.)

Movement in the provision for impairment losses (individually impaired) of other receivables:

	2021 RM'000	2020 RM'000
At 1 April 2020/2019	379	379
Charge for the year	16	-
At 31 March 2021/2020	<u>395</u>	<u>379</u>

The carrying amounts (other than share of net assets held under MMIP) disclosed in the previous page approximate fair value at the reporting date due to the relatively short-term maturity of these balances.

* The amounts owing by ultimate holding, holding and other related companies are unsecured, interest free and repayable on demand.

** As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Note 14.

10. DEFERRED TAXATION

	2021 RM'000	2020 RM'000
At 1 April 2020/2019	18,211	25,177
Recognised in:		
Income statement (Note 26)	4,873	(6,669)
Other comprehensive income	(79)	(297)
At 31 March 2021/2020	<u>23,005</u>	<u>18,211</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 income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting on the following page:

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10. DEFERRED TAXATION (CONT'D.)

	2021	2020
	RM'000	RM'000
Deferred tax assets	35,929	34,793
Deferred tax liabilities	<u>(12,924)</u>	<u>(16,582)</u>
	<u>23,005</u>	<u>18,211</u>

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

Deferred tax assets:

	Provisions
	RM'000
At 1 April 2019	35,365
Recognised in income statement	<u>(572)</u>
At 31 March 2020	34,793
Recognised in income statement	<u>1,136</u>
At 31 March 2021	<u>35,929</u>

Deferred tax liabilities:

	PPE and intangible assets	Others	Total
	RM'000	RM'000	RM'000
At 1 April 2019	(6,868)	(3,320)	(10,188)
Recognised in:			
Income statement	767	(6,864)	(6,097)
Other comprehensive income	-	<u>(297)</u>	<u>(297)</u>
At 31 March 2020	<u>(6,101)</u>	<u>(10,481)</u>	<u>(16,582)</u>
Recognised in:			
Income statement	516	3,221	3,737
Other comprehensive income	-	<u>(79)</u>	<u>(79)</u>
At 31 March 2021	<u>(5,585)</u>	<u>(7,339)</u>	<u>(12,924)</u>

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11. CASH AND SHORT-TERM DEPOSITS

	2021	2020
	RM'000	RM'000
Cash at banks and on hand	129,748	98,019
Short-term deposits (with original maturity of less than three months) with licensed banks	<u>10,219</u>	<u>73,678</u>
	<u>139,967</u>	<u>171,697</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

12. NON-CURRENT ASSETS HELD FOR SALE

	2021	2020
	RM'000	RM'000
At 1 April 2020/2019	1,562	5,029
Transferred from property and equipment (Note 3)	-	3,021
Disposals	<u>-</u>	<u>(6,488)</u>
At 31 March 2021/2020	<u>1,562</u>	<u>1,562</u>

The proposed disposal of the self-occupied properties have not been completed as certain conditions precedent have yet to be met. Hence, as at 31 March 2021, the properties remain classified as non-current held for sale.

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13. SHARE CAPITAL

	<----- No. of shares ----->		<----- Amount ----->	
	2021 ('000)	2020 ('000)	2021 RM'000	2020 RM'000
Ordinary shares (a)	600,000	600,000	600,000	600,000
Share capital arising from redemption RNCPS (a)	-	-	400,000	300,000
INCPS (b)	6,100	6,100	61,000	61,000
RNCPS (c)	-	10,000	-	100,000
	<u>606,100</u>	<u>616,100</u>	<u>1,061,000</u>	<u>1,061,000</u>

(a) Ordinary shares

	<----- 2021 ----->		<----- 2020 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2020/2019	600,000	900,000	600,000	800,000
Arising from redemption RNCPS pursuant to Section 72 (4)(a) of the Companies Act, 2016	-	100,000	-	100,000
At 31 March 2021/2020	<u>600,000</u>	<u>1,000,000</u>	<u>600,000</u>	<u>900,000</u>

(b) INCPS

	<----- 2021 ----->		<----- 2020 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2020/2019 and at 31 March 2021/2020	<u>6,100</u>	<u>61,000</u>	<u>6,100</u>	<u>61,000</u>

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13. SHARE CAPITAL (CONT'D.)

(b) INCPS (Cont'd.)

The salient features of the INCPS issued by the Company are as follows:

- (i) Subject always to the prior approval of BNM and the discretion of the Board, the INCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the INCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.
- (ii) The INCPS holders are entitled at any time to convert all or any of the INCPS held to ordinary shares in the Company, *pari passu* as between themselves, on the basis of one (1) INCPS for one (1) new ordinary share.
- (iii) The INCPS shall not be transferable (in whole or in part) and shall not be redeemed by the Company.

(c) RNCPS

	<----- 2021 ----->		<----- 2020 ----->	
	No. of shares (‘000)	Amount RM'000	No. of shares (‘000)	Amount RM'000
Issued and paid up:				
At 1 April 2020/2019	10,000	100,000	20,000	200,000
Redemption of RNCPS during the year	(10,000)	(100,000)	(10,000)	(100,000)
At 31 March 2021/2020	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>100,000</u>

On 25 January 2021, the Company redeemed 10,000,000 (10.09.2019: 10,000,000) RNCPS for the total redemption sum of RM100,000,000 (10.09.2019: RM100,000,000) at the issue price of RM10.00 each.

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13. SHARE CAPITAL (CONT'D.)

(c) RNCPS (Cont'd.)

The salient features of the RNCPS issued by the Company are as follows:

- (i) Subject always to the prior approval of BNM and the discretion of the Board, the RNCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RNCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.
- (ii) The RNCPS holders are entitled at any time to convert all or any of the RNCPS held to ordinary shares in the Company, *pari passu* as between themselves, on the basis of one (1) RNCPS for one (1) new ordinary share.
- (iii) The RNCPS shall not be transferable (in whole or in part). Subject to the prior approval of BNM and the provisions of Section 72 of the Companies Act, 2016 in Malaysia, the RNCPS may at the sole discretion of the Company be redeemed at a redemption price which is equal to the issue price at which the relevant RNCPS have been issued. It should be redeemed upon and subject to the terms hereunder, provided that the Company shall not redeem any RNCPS during the first five years of the issue of the RNCPS.

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14. INSURANCE CONTRACT LIABILITIES

	Note	←----- 2021 -----→			←----- 2020 -----→		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		938,423	(218,755)	719,668	910,156	(202,793)	707,363
Provision for incurred but not reported claims ("IBNR")		641,810	(78,115)	563,695	682,528	(110,139)	572,389
Provision for fund provision of risk margin for adverse deviation ("FPRAD")		133,638	(27,065)	106,573	134,655	(28,008)	106,647
Claim liabilities	14.1	1,713,871	(323,935)	1,389,936	1,727,339	(340,940)	1,386,399
Less: Impairment loss on reinsurance assets		-	2,072	2,072	-	2,258	2,258
		1,713,871	(321,863)	1,392,008	1,727,339	(338,682)	1,388,657
Premium liabilities	14.2	709,104	(57,932)	651,172	709,720	(54,690)	655,030
		2,422,975	(379,795)	2,043,180	2,437,059	(393,372)	2,043,687

As at 31 March 2021, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM23.8 million (2020: RM29.0 million) and RM1.3 million (2020: RM2.3 million) respectively.

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14. INSURANCE CONTRACT LIABILITIES (CONT'D.)

14.1 Claim liabilities

Note	<----- 2021 ----->			<----- 2020 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 April 2020/2019	1,727,339	(340,940)	1,386,399	1,825,791	(414,176)	1,411,615
Claims incurred in the current accident year (direct and facultative)	1,092,370	(128,685)	963,685	1,243,368	(180,489)	1,062,879
Adjustment to claims incurred in prior accident year (direct and facultative)	(252,603)	68,318	(184,285)	(361,052)	151,871	(209,181)
Claims incurred during the year (treaty inwards claims)	(2,365)	-	(2,365)	(3,427)	-	(3,427)
Claims paid during the year	24 (850,870)	77,372	(773,498)	(977,341)	101,854	(875,487)
At 31 March 2021/2020	24 <u>1,713,871</u>	<u>(323,935)</u>	<u>1,389,936</u>	<u>1,727,339</u>	<u>(340,940)</u>	<u>1,386,399</u>

14.2 Premium liabilities

Note	<----- 2021 ----->			<----- 2020 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 April 2020/2019	709,720	(54,690)	655,030	701,260	(53,322)	647,938
Premiums written during the year	19 1,559,472	(164,772)	1,394,700	1,575,869	(140,045)	1,435,824
Premiums earned during the year	19 (1,560,088)	161,530	(1,398,558)	(1,567,409)	138,677	(1,428,732)
At 31 March 2021/2020	<u>709,104</u>	<u>(57,932)</u>	<u>651,172</u>	<u>709,720</u>	<u>(54,690)</u>	<u>655,030</u>

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15. OTHER LIABILITIES

	2021	2020
	RM'000	RM'000
Treaty deposits from reinsurers	3,166	23
Performance bond deposits	24,581	23,025
Provision for restoration costs for leased properties	2,489	2,611
	<u>30,236</u>	<u>25,659</u>

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

The carrying amounts of treaty deposits from reinsurers disclosed above approximate fair value at the reporting date due to the relatively short term maturities.

The carrying value of performance bond deposits is a reasonable approximate of fair value due to the discounting impact being immaterial.

16. INSURANCE PAYABLES

	2021	2020
	RM'000	RM'000
Due to agents, brokers, co-insurers and insured	21,812	17,068
Due to reinsurers and cedants	34,221	25,052
	<u>56,033</u>	<u>42,120</u>

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are payable within one year.

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

	2021	2020
	RM'000	RM'000
Gross amount of recognised insurance payables	61,368	46,559
Less: Gross amount of recognised insurance receivables set-off against the insurance payables that met the criteria of legally enforceable right to set-off	<u>(5,335)</u>	<u>(4,439)</u>
Net amount recognised in insurance payables	<u>56,033</u>	<u>42,120</u>

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17. OTHER PAYABLES

	2021	2020
	RM'000	RM'000
Financial liabilities:		
Amount owing to other related companies *	6,519	7,213
Sales and Service Tax ("SST") and stamp duty payable	14,014	14,182
Sundry payables	20,550	20,784
	<u>41,083</u>	<u>42,179</u>
Non-financial liabilities:		
Accrued expenses and deposits	101,080	84,932
Other accruals	74,434	87,940
Commutation accounts	12,835	10,780
	<u>188,349</u>	<u>183,652</u>
	<u>229,432</u>	<u>225,831</u>

The carrying amounts disclosed above approximate fair values at the reporting date.

* The amounts owing to other related companies are unsecured, interest free and repayable on demand.

18. PROVISION FOR RETIREMENT BENEFITS

The Company operates a final salary defined retirement benefit scheme which is wholly unfunded. There is no minimum funding requirement under the current law. The employees are not required to contribute to the scheme.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

All new employees who are hired after 18 March 2011 are not entitled to the retirement benefit.

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18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

18.1 The movements in the present value of the defined benefit obligation recognised in the statement of financial position are as follows:

	Note	2021 RM'000	2020 RM'000
Defined benefit obligation at 1 April 2020/2019		19,357	19,831
Actuarial gain	18.3	(328)	(1,238)
Benefits paid		(1,469)	(1,123)
Service costs and interest	18.2	790	1,887
Defined benefit obligation at 31 March 2021/2020		<u>18,350</u>	<u>19,357</u>
Present value of unfunded obligation		<u>18,350</u>	<u>19,357</u>
Recognised liability for defined benefit obligation		<u>18,350</u>	<u>19,357</u>

18.2 Expenses recognised in the income statement as retirement benefits cost (Note 25.1):

	2021 RM'000	2020 RM'000
Service cost	-	925
Interest cost	790	962
	<u>790</u>	<u>1,887</u>

18.3 Actuarial gains and losses recognised directly in other comprehensive income:

	2021 RM'000	2020 RM'000
Amount accumulated in retained earnings at 1 April 2020/2019	3,346	2,405
Actuarial gain arising from:		
i) changes in financial and demographic assumptions	942	830
ii) experience adjustments	(614)	408
	328	1,238
Tax effects thereon (Note 10)	(79)	(297)
Amount accumulated in retained earnings at 31 March 2021/2020	<u>3,595</u>	<u>3,346</u>

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18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

18.4 Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	2021	2020
Discount rate at 31 March 2021/2020 (per annum)	4.01%	4.15%
Fixed deposit rate (per annum)	1.55%	2.50%
Withdrawal rates (per annum)	<u>4.90%</u>	<u>5.10%</u>

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 7.51 years (2020: 7.77 years).

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

The following table demonstrates the sensitivity of provision for retirement benefits to a reasonable change in the defined benefit obligation:

	2021	2020
	RM'000	RM'000
Discount rate:		
Increase 100 basis points	(1,053)	(1,198)
Decrease 100 basis points	<u>1,160</u>	<u>1,326</u>
Fixed deposit rate:		
Increase 100 basis points	1,370	1,541
Decrease 100 basis points	<u>(1,257)</u>	<u>(1,409)</u>
Withdrawal rate:		
10% increase in the withdrawal rate	(441)	(520)
10% decrease in the withdrawal rate	<u>458</u>	<u>542</u>

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19. NET EARNED PREMIUMS

	Note	2021 RM'000	2020 RM'000
19.1 Gross earned premiums			
Premium written during the year	14.2	1,559,472	1,575,869
Change in premium liabilities		616	(8,460)
	14.2	<u>1,560,088</u>	<u>1,567,409</u>
19.2 Earned premiums ceded to reinsurers			
Premium ceded during the year	14.2	(164,772)	(140,045)
Change in premium liabilities		3,242	1,368
	14.2	<u>(161,530)</u>	<u>(138,677)</u>
19.3 Net earned premiums			
Net premium written during the year	14.2	1,394,700	1,435,824
Change in premium liabilities		3,858	(7,092)
	14.2	<u>1,398,558</u>	<u>1,428,732</u>

20. INVESTMENT INCOME

	2021 RM'000	2020 RM'000
Financial assets at FVTPL:		
Dividend/distribution income:		
- Equity securities quoted in Malaysia	880	3,554
- Equity securities unquoted in Malaysia	196	98
- Unit and property trust funds quoted in Malaysia	61	573
- Collective investment schemes quoted in Malaysia	158,231	158,404
AC:		
Interest income:		
- Mortgage and other loans	22	35
- Cash and short-term deposits	2,562	4,362
	<u>161,952</u>	<u>167,026</u>

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21. REALISED GAINS/(LOSSES)

	2021	2020
	RM'000	RM'000
Property and equipment:		
Realised gains on disposal of property and equipment	<u>6</u>	<u>65</u>
Non-current assets held for sale:		
Realised gains on disposal of non-current assets held for sale	<u>-</u>	<u>1,441</u>
FVTPL financial assets:		
Mandatorily measured:		
Realised gains/(losses):		
- Collective investment schemes quoted in Malaysia	4,142	6,784
- Equity securities quoted in Malaysia	(3,373)	(26,108)
- Unit and property trust funds quoted in Malaysia	<u>(564)</u>	<u>38</u>
	<u>205</u>	<u>(19,286)</u>
Total realised gains/(losses)	<u>211</u>	<u>(17,780)</u>

22. FAIR VALUE (LOSSES)/GAINS

	2021	2020
	RM'000	RM'000
FVTPL financial assets:		
Mandatorily measured:		
Unrealised (losses)/gains:		
- Collective investment schemes quoted in Malaysia	(22,414)	24,752
- Equity securities quoted in Malaysia	9,436	5,187
- Unit and property trust funds quoted in Malaysia	<u>465</u>	<u>(1,427)</u>
	<u>(12,513)</u>	<u>28,512</u>

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23. OTHER OPERATING INCOME

	2021	2020
	RM'000	RM'000
Transfer fees and other contract fees	177	259
Other income	2,535	4,148
	<u>2,712</u>	<u>4,407</u>

24. NET CLAIMS

	Note	2021	2020
		RM'000	RM'000
Gross benefits and claims paid	14.1	850,870	977,341
Claims ceded to reinsurers	14.1	<u>(77,372)</u>	<u>(101,854)</u>
Net claims paid	14.1	<u>773,498</u>	<u>875,487</u>
Gross change in contract liabilities			
At 31 March 2021/2020	14.1	1,713,871	1,727,339
At 1 April 2020/2019		<u>(1,727,339)</u>	<u>(1,825,791)</u>
		<u>(13,468)</u>	<u>(98,452)</u>
Change in contract liabilities ceded to reinsurers			
At 31 March 2021/2020	14.1	(323,935)	(340,940)
At 1 April 2020/2019		<u>340,940</u>	<u>414,176</u>
		<u>17,005</u>	<u>73,236</u>
		<u>777,035</u>	<u>850,271</u>

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25. MANAGEMENT EXPENSES

	Note	2021 RM'000	2020 RM'000
Employee benefits	25.1	164,020	165,596
Chief Executive Officer's remuneration	25.2	2,224	2,033
Executive and non-executive directors' fees and remuneration	25.3	1,420	1,402
Auditors' remuneration:			
- Statutory audits		1,012	570
- Regulatory-related services		57	69
- Other services		-	27
Rental of offices and premises from third parties		(32)	(19)
Depreciation of property and equipment	3	5,972	9,449
Depreciation of right-of-use assets	4	13,238	13,971
Amortisation of intangible assets	5	15,076	14,845
Property and equipment written-off	3	18	42
Lease expense of low-value assets	4	293	305
Provision for impairment losses on other receivables	9	16	-
Reversal of allowance for impairment losses on reinsurance assets	7	(186)	(381)
Reversal of allowance for impairment losses on insurance receivables	8	(2,331)	(3,431)
Recovery of bad debts written-off		(46)	(96)
Advertisement expenses		5,347	9,719
Bank charges		11,875	12,641
Electronic Data Processing expenses		19,728	19,480
Printing expenses		9,294	8,498
Office expenses		9,584	9,898
Professional fees		2,243	2,715
Share of group charges		14,787	14,760
COVID-19 related expenses		31,630	-
Other expenses		35,222	40,071
		<u>340,461</u>	<u>322,164</u>

25.1 Employee benefits

Wages and salaries		127,590	129,591
Social security contributions		1,168	1,170
Contribution to Employees' Provident Fund		19,208	19,900
Contribution to defined benefit plans	18.2	790	1,887
Other benefits		15,264	13,048
		<u>164,020</u>	<u>165,596</u>

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25. MANAGEMENT EXPENSES (CONT'D.)

25.2 Chief Executive Officer's remuneration including benefits-in-kind

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

	2021	2020
	RM'000	RM'000
<u>Non-deferred:</u>		
Fixed remuneration[^]:		
Salaries	1,078	954
Contribution to Employees' Provident Fund	173	153
	<u>1,251</u>	<u>1,107</u>
Variable remuneration[^]:		
Bonus	481	575
Contribution to Employees' Provident Fund	77	92
Other benefits-in-kind	415	259
	<u>973</u>	<u>926</u>
Total monetary benefits	<u>2,224</u>	<u>2,033</u>
Non-monetary benefits	<u>27</u>	<u>18</u>
<u>Deferred*:</u>		
Share options*	<u>448</u>	<u>1,250</u>
Total remuneration	<u>2,699</u>	<u>3,301</u>

[^] Includes remuneration paid to the previous Chief Executive Officer who had resigned during the financial year.

* Deferred remuneration refers to remuneration that is set aside to be paid at a later date, which includes share options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

25.3 Directors' fees and remuneration

The details of remuneration received by the executive and non-executive directors during the year are as follows:

	2021	2020
	RM'000	RM'000
Fees	900	900
Allowances and other emoluments	520	502
	<u>1,420</u>	<u>1,402</u>

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25. MANAGEMENT EXPENSES (CONT'D.)

25.3 Directors' fees and remuneration (Cont'd.)

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	<----- Non-deferred ----->		
	Fixed remuneration fees RM'000	Variable remuneration others RM'000	Total RM'000
2021			
<u>Executive director:</u>			
Daniel Francis Coman (appointed on 24 August 2020)	90	23	113
Duncan Victor Brain (resigned on 24 August 2020)	60	14	74
	<u>150</u>	<u>37</u>	<u>187</u>
<u>Non-executive directors:</u>			
Phoon Soon Keong	150	122	272
Ramesh Pillai	150	101	251
Wong Teck Kat	150	99	249
Sathasivan Kunchambo	150	99	249
Dato' Sulaiman Bin Mohd Tahir	150	62	212
	<u>750</u>	<u>483</u>	<u>1,233</u>
	<u>900</u>	<u>520</u>	<u>1,420</u>
2020			
<u>Executive director:</u>			
Duncan Victor Brain	150	35	185
	<u>150</u>	<u>35</u>	<u>185</u>
<u>Non-executive directors:</u>			
Phoon Soon Keong	150	121	271
Ramesh Pillai	150	98	248
Wong Teck Kat	150	95	245
Sathasivan Kunchambo	150	93	243
Dato' Sulaiman Bin Mohd Tahir	150	60	210
	<u>750</u>	<u>467</u>	<u>1,217</u>
	<u>900</u>	<u>502</u>	<u>1,402</u>

The directors' fees are subject to the recommendation of the Remuneration Committee of the Board of Directors for endorsement and approval by the shareholder at the Annual General Meeting.

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26. TAXATION

	Note	2021 RM'000	2020 RM'000
Current tax:			
Malaysia - current		49,258	37,597
Malaysia - over provision in prior year		(4,908)	(10,077)
		<u>44,350</u>	<u>27,520</u>
Deferred tax:	10		
Origination and reversal of temporary differences		(3,364)	6,451
(Over)/Under provision in prior year		(1,509)	218
		<u>(4,873)</u>	<u>6,669</u>
Total tax expense		<u>39,477</u>	<u>34,189</u>

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2020: 24%) of the estimated assessable profit for the year:

	2021 RM'000	2020 RM'000
Profit before taxation	<u>285,994</u>	<u>282,543</u>
Taxation at Malaysian statutory tax rate of 24%	68,639	67,810
Real Property Gains Tax	-	430
Expenses not deductible for tax purposes	15,519	15,213
Tax exempt income	(38,264)	(39,405)
Over provision of income tax in prior year	(4,908)	(10,077)
(Over)/under provision of deferred tax in prior year	(1,509)	218
	<u>39,477</u>	<u>34,189</u>

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27. EARNINGS PER ORDINARY SHARE

27.1 Basic earnings per ordinary share

Basic earnings per ordinary share is calculated based on the net profit for the year ended 31 March 2021 of RM246,517,000 (2020: RM248,354,000) divided by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2021	2020
	RM'000	RM'000
Net profit attributable to equity holder of the Company	<u>246,517</u>	<u>248,354</u>
Weighted average number of ordinary shares:		
	2021	2020
	'000	'000
Issued ordinary shares	<u>600,000</u>	<u>600,000</u>
	2021	2020
	Sen	Sen
Basic earnings per ordinary share	<u>41</u>	<u>41</u>

27.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31 March 2021 and 31 March 2020 were based on profit attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	2021	2020
	'000	'000
Weighted average number of ordinary shares	600,000	600,000
Effect of assumed conversion of outstanding INCPS and RNCPS	<u>6,100</u>	<u>16,100</u>
Weighted average number of ordinary shares at 31 March	<u>606,100</u>	<u>616,100</u>
	2021	2020
	Sen	Sen
Diluted earnings per ordinary share	<u>41</u>	<u>40</u>

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28. DIVIDENDS

The amount of dividends paid by the Company since 31 March 2020 were as follows:

	2021 RM'000	2020 RM'000
In respect of financial year ended 31 March 2020/2019:		
INCPS:		
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 23 April 2020/26 April 2019 and paid on 7 September 2020/10 September 2019	3,355	3,355
RNCPS:		
Dividend of 5.5% per RNCPS on 10,000,000/20,000,000 RNCPS based issue price of RM10.00 each declared on 23 April 2020/26 April 2019 and paid on 7 September 2020/10 September 2019	5,500	11,000
	<u>8,855</u>	<u>14,355</u>
Ordinary share:		
Final/Final single tier dividend of 33.00/29.33 sen per ordinary share on 600,000,000 ordinary shares declared on 12 June 2020/26 April 2019 and paid on 7 September 2020/10 September 2019	198,000	176,000
	<u>198,000</u>	<u>176,000</u>
	<u>206,855</u>	<u>190,355</u>

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29. CAPITAL COMMITMENTS

	2021 RM'000	2020 RM'000
Capital expenditure:		
Approved and contracted for:		
Renovation, furniture and fitting and office equipment	391	193
Computer hardware and software	3,426	4,047
	<u>3,817</u>	<u>4,240</u>
Approved but not contracted for:		
Renovation, furniture and fitting and office equipment	4	1
Computer hardware and software	9,452	1,327
	<u>9,456</u>	<u>1,328</u>

30. SIGNIFICANT RELATED PARTIES DISCLOSURES

(a) Related parties

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

Name	Relationship
AMMB Holdings Berhad	Ultimate holding company
AMAB Holdings Sdn. Bhd.	Penultimate holding company
AmGeneral Holdings Berhad	Immediate holding company

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

Name	Relationship
Insurance Australia Group Limited	Corporate shareholder
IAG Re Labuan (L) Berhad	Subsidiary of corporate shareholder
Insurance Australia Limited	Subsidiary of corporate shareholder
IAG Re Singapore Pte Ltd	Subsidiary of corporate shareholder
AmMetLife Insurance Berhad	Other related company
AmInvestment Bank Berhad	Other related company
AmBank (M) Berhad	Other related company
AmFunds Management Berhad	Other related company
AmCard Services Berhad	Other related company
AmBank Islamic Berhad	Other related company
AmMetLife Takaful Berhad	Other related company
AmIslamic Funds Management Sdn Bhd	Other related company
AmIncome Institutional 1*	Subsidiary
AmCorp Energy Services Sdn Bhd	Other related company
AmCorp Perting Hydro Sdn Bhd	Other related company
AmCorp Prima Realty Sdn Bhd	Other related company
AmCorp Sibujaya Sdn Bhd	Other related company
AmCorp Services Sdn Bhd	Other related company

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

Name	Relationship
AmCorp Realty Sdn Bhd	Other related company
AmCorp Borneo Sdn Bhd	Other related company
AmIncome Institutional 3*	Subsidiary
AmCash Plus*	Subsidiary
Harpers Travel (M) Sdn. Bhd.	Other related company
AmCorp Properties Bhd	Other related company
Asian Institute of Chartered Bankers	Other related company
AON Insurance Brokers (Malaysia) Sdn Bhd	Other related company
IERP Sdn Bhd	Company in which a director, has financial interests

* In accordance with MFRS 10, the investments are considered as subsidiaries of the Company.

In the normal course of business, the Company undertakes various transactions with subsidiaries and associated companies of its ultimate holding company, AMMB Holdings Berhad, AMAB Holdings Sdn. Bhd. and other companies deemed related parties by virtue of common director's shareholdings and a corporate shareholder's interest in the ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available in similar transactions with other customers or employees. Other related party transactions (other than dividends/distributions received from subsidiaries) were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company's balances with related parties are as follows:

	2021	2020
	RM'000	RM'000
Included in insurance receivables (Note 8):		
Due from agents, brokers and co-insurers:		
AmBank (M) Berhad	7,519	11,650
AmCard Services Berhad	7	295
AON Insurance Brokers (Malaysia) Sdn Bhd	273	54
	<u>7,799</u>	<u>11,999</u>
Included in amount owing by ultimate holding, holding and other related companies (Note 9):		
AMMB Holdings Berhad	-	378
AmMetLife Insurance Berhad	-	13
Insurance Australia Limited	548	2,175
	<u>548</u>	<u>2,566</u>
Included in income due and accrued (Note 9):		
AmBank (M) Berhad	1	5
AmIncome Institutional 1	5,356	4,521
AmIncome Institutional 3	7,174	8,026
AmCash Plus	1,016	244
	<u>13,547</u>	<u>12,796</u>
Included in cash and short-term deposits (Note 11):		
AmBank (M) Berhad	<u>93,643</u>	<u>151,049</u>
Included in insurance payables (Note 16):		
Due to agents, brokers and co-insurers:		
AmBank (M) Berhad	3,744	3,334
AmCard Services Berhad	159	-
AmInvestment Bank Berhad	116	185
AON Insurance Brokers (Malaysia) Sdn Bhd	1,202	983
	<u>5,221</u>	<u>4,502</u>

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company's balances with related parties are as follows (Cont'd.):

	2021	2020
	RM'000	RM'000
Included in amount owing to other related companies (Note 17):		
AmBank (M) Berhad	6,519	7,213
Included in accrued expenses and deposits (Note 17):		
AmBank (M) Berhad	6,140	6,561
Insurance Australia Limited	1,748	4,017
AmMetLife Insurance Berhad	-	13
	<u>7,888</u>	<u>10,591</u>
Included in deposit from reinsurers (Note 15):		
IAG Re Singapore Pte Ltd	3,160	-

The Company's significant transactions with related parties during the financial year are as follows :

	2021	2020
	RM'000	RM'000
Interest and dividend income from:		
AmBank (M) Berhad	89	390
AmIncome Institutional 1	54,350	50,118
AmIncome Institutional 3	88,348	95,638
AmInvestment Bank Berhad	3,032	1,705
AmCash Plus	9,796	7,049
	<u>155,615</u>	<u>154,900</u>
Gross premium income from:		
AmBank (M) Berhad	4,632	2,735
AMMB Holdings Berhad	4,615	3,497
AmMetLife Insurance Berhad	185	54
AmInvestment Bank Berhad	76	30
AmBank Islamic Berhad	4,338	3,293
AmMetLife Takaful Berhad	3	3
AmCorp Properties Berhad	62	11

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company's significant transactions with related parties during the financial year are as follows (Cont'd.):

	2021	2020
	RM'000	RM'000
Gross premium income from (Cont'd.):		
AmCorp Energy Services Sdn Bhd	1	1
AmCorp Perting Hydro Sdn Bhd	15	9
AmCorp Prima Realty Sdn Bhd	36	36
AmCorp Sibujaya Sdn Bhd	47	37
AmCorp Services Sdn Bhd	31	31
AmCorp Realty Sdn Bhd	12	12
AmCorp Borneo Sdn Bhd	1	1
AmFunds Management Bhd	22	-
AmIslamic Funds Management Sdn Bhd	2	-
	<u>14,078</u>	<u>9,750</u>
Commission income from:		
IAG Re Labuan (L) Berhad	(267)	11,143
IAG Re Singapore Pte Ltd	4,342	-
	<u>4,075</u>	<u>11,143</u>
Commission expenses to:		
AmBank (M) Berhad	(12,689)	(13,154)
AmInvestment Bank Berhad	(11)	(3)
AON Insurance Brokers (Malaysia) Sdn Bhd	(1,607)	(3,698)
	<u>(14,307)</u>	<u>(16,855)</u>
Administration and operating expenses to:		
AmBank (M) Berhad	(19,193)	(19,531)
AmFunds Management Berhad	(224)	(303)
AmMetLife Insurance Berhad	(4,926)	(4,363)
Insurance Australia Limited	(1,696)	(1,002)
Harpers Travel (M) Sdn. Bhd.	(22)	(531)
Asian Institute of Chartered Bankers	-	(2)
IERP Sdn Bhd	(23)	(73)
	<u>(26,084)</u>	<u>(25,805)</u>

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company's significant transactions with related parties during the financial year are as follows (Cont'd.):

	2021	2020
	RM'000	RM'000
Reinsurance premiums ceded to:		
IAG Re Labuan (L) Berhad	(3,408)	(36,857)
IAG Re Singapore Pte Ltd	(13,924)	-
	<u>(17,332)</u>	<u>(36,857)</u>
Claims recovery from:		
IAG Re Labuan (L) Berhad	34,462	19,132
IAG Re Singapore Pte Ltd	(2,162)	-
	<u>32,300</u>	<u>19,132</u>
Rental expenses to:		
AmMetLife Insurance Berhad	<u>-</u>	<u>(14)</u>
Rental income from:		
AmMetLife Insurance Berhad	<u>40</u>	<u>80</u>
Dividends on INCPS, RNCPS and ordinary share paid to:		
AmGeneral Holdings Berhad	<u>(206,855)</u>	<u>(190,355)</u>
Redemption of RNCPS paid to:		
AmGeneral Holdings Berhad	<u>(100,000)</u>	<u>(100,000)</u>

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30. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(b) Compensation of Key Management Personnel

The remuneration of directors and other member of key management during the year are as follows:

	2021	2020
	RM'000	RM'000
Chief Executive Officers' remuneration:		
Salaries and bonus	1,559	1,529
Contribution to Employees' Provident Fund	250	245
Other benefits-in-kind	890	1,527
	<u>2,699</u>	<u>3,301</u>
Executive and Non-executive directors' fees and remuneration:		
Fees	900	900
Allowances and other emoluments	520	502
	<u>1,420</u>	<u>1,402</u>
	<u>4,119</u>	<u>4,703</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

The key management personnel of the Company are the directors and the Chief Executive Officer.

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31. FINANCIAL INSTRUMENTS BY CATEGORY

2021	Note	Assets not in scope of				Total RM'000
		AC RM'000	FVTPL RM'000	Sub-total RM'000	MFRS 9 RM'000	
Assets						
Property and equipment	3	-	-	-	13,765	13,765
Right-of-use assets	4	-	-	-	45,681	45,681
Intangible assets	5	-	-	-	45,502	45,502
Investments	6	20,636	3,619,428	3,640,064	-	3,640,064
Reinsurance assets	7	-	-	-	379,795	379,795
Insurance receivables	8	52,892	-	52,892	-	52,892
Other receivables	9	80,330	-	80,330	-	80,330
Deferred tax assets	10	-	-	-	23,005	23,005
Cash and short-term deposits	11	139,967	-	139,967	-	139,967
Non-current assets held for sale	12	-	-	-	1,562	1,562
Total assets		293,825	3,619,428	3,913,253	509,310	4,422,563

Liabilities	Note	Liabilities not in scope of			Total RM'000
		Other financial liabilities RM'000	Sub-total RM'000	MFRS 9 RM'000	
Insurance contract liabilities	14	-	-	2,422,975	2,422,975
Other liabilities	15	30,236	30,236	-	30,236
Lease liabilities	4	46,480	46,480	-	46,480
Insurance payables	16	56,033	56,033	-	56,033
Provision for taxation		-	-	5,414	5,414
Other payables	17	41,083	41,083	188,349	229,432
Provision for retirement benefits	18	-	-	18,350	18,350
Total liabilities		173,832	173,832	2,635,088	2,808,920

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31. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D.)

2020	Note	Assets not in scope of				Total RM'000
		AC RM'000	FVTPL RM'000	Sub-total RM'000	MFRS 9 RM'000	
Assets						
Property and equipment	3	-	-	-	16,020	16,020
Right-of-use assets	4	-	-	-	47,545	47,545
Intangible assets	5	-	-	-	49,873	49,873
Investments	6	20,468	3,568,656	3,589,124	-	3,589,124
Reinsurance assets	7	-	-	-	393,372	393,372
Insurance receivables	8	64,536	-	64,536	-	64,536
Other receivables	9	105,323	-	105,323	-	105,323
Deferred tax assets	10	-	-	-	18,211	18,211
Tax recoverable		-	-	-	13,338	13,338
Cash and short-term deposits	11	171,697	-	171,697	-	171,697
Non-current assets held for sale	12	-	-	-	1,562	1,562
Total assets		362,024	3,568,656	3,930,680	539,921	4,470,601
Liabilities						
	Note	Other financial liabilities		Liabilities not in scope of		Total
		RM'000	Sub-total RM'000	MFRS 9 RM'000	RM'000	RM'000
Insurance contract liabilities	14	-	-	2,437,059	-	2,437,059
Other liabilities	15	25,659	25,659	-	-	25,659
Lease liabilities	4	46,843	46,843	-	-	46,843
Insurance payables	16	42,120	42,120	-	-	42,120
Other payables	17	42,179	42,179	183,652	-	225,831
Provision for retirement benefits	18	-	-	19,357	-	19,357
Total liabilities		156,801	156,801	2,640,068	-	2,796,869

32. RISK MANAGEMENT FRAMEWORK

32.1 Risk governance framework

The Company's Enterprise Risk Management (ERM) Framework is focused on embedding effective risk mitigation mechanisms and risk disciplines within the Company to manage risks within the Board-approved tolerances and risk appetites while protecting it from uncertainties and threats, thus enabling the achievement of its business objectives.

The objectives of managing the risks are to:

- Create and protect values for the Company's shareholders
- Fulfil its obligations to the Company's customers and other stakeholders
- Prepare the Company's resilience to face expected and unexpected events
- Support the Company's objectives and the achievement of its long term strategic intent
- Instil confidence in customers, shareholders and other stakeholders on the Company's financial strength, capability and reliability

The ERM Framework sets the foundation in managing all relevant sources of risk facing the Company by defining the standards and expectations consistent with the views of the Board of Directors, regulatory requirements, industry guidelines and risk management best practices.

The ERM Framework enables the Board of Directors and the Management to maintain and manage a comprehensive view of the risk profiles of all facets of the Company, through transparency, reporting and escalation of risk matters.

The ERM is implemented through a Risk Governance structure which includes:

- Board of Directors & Board Committees: Responsible for ensuring the continued appropriateness and effectiveness of the ERM Framework, setting the risk appetite and risk tolerance thresholds, endorsing risk profiles and approving risk management policies;

32. RISK MANAGEMENT FRAMEWORK (CONT'D.)

32.1 Risk governance framework (Cont'd.)

The ERM is implemented through a Risk Governance structure which includes (Cont'd.):

- Risk and Compliance Management Committee: Includes the Chief Executive Officer and senior management; accountable for the implementation of the requirements of the ERM Framework and risk management strategies across the Company, including reporting and escalation of significant risk matters to the Board and Board Committees and the corresponding rectification or mitigation of those matters;
- Risk Management Department: Assists the Board, Risk Management Committee of Directors and the senior management in developing and maintaining an effective ERM Framework in consultation with stakeholders, regulators and industry regulating bodies while remaining accountable for the reporting and escalation of significant risk matters to the Management and the Board and their subsequent resolution or rectification; and
- Business Units: Incorporates the requirements of the ERM Framework into the departmental guidelines and procedures and ensures the continued effectiveness of risk management practices across each department while continually escalating and reporting significant risks to the Management and Risk Management Department.

32.2 Capital management objectives, policies and approach

The Company's Capital Management Policy ("CMP") has been noted by the regulators and establishes a detailed capital management and response action plan to be taken by the Board and Management of the Company in the event of extreme events that may lead to the Capital Adequacy Ratio ("CAR") falling below the Management Target Capital Level ("MTCL"), Individual Target Capital Level ("ITCL") and the Supervisory Target Capital Level ("STCL"). MTCL is set at the first and highest CAR threshold which is above ITCL and STCL. The company has always been operating with CAR above MTCL.

The CMP defines general and probable risk scenarios that could threaten the capital position of the Company and establishes appropriate remedial action plans to respond, taking into consideration the Company's financial and business position. The CMP allows the Company to utilize capital more efficiently in a controlled and predictable manner to drive its strategic intent while ensuring that the Company operates above the MTCL, ITCL and STCL at all times.

32. RISK MANAGEMENT FRAMEWORK (CONT'D.)

32.2 Capital management objectives, policies and approach (Cont'd.)

The Company has established the following capital management objectives, policies and approach to the risks that affect its capital position.

The capital management objectives are:

- For the Company to remain resilient when faced with extreme or unexpected situations or scenarios, maintaining adequate capital to continue to support the business.
- For the Company to maintain adequate capital to support all risks in the business as well as to develop and use better risk management techniques including scenario modelling and stress testing methods in monitoring and managing risks.
- For the Company's Management and Board to develop and establish an internal capital adequacy assessment process through the use of stress testing and scenario modelling to establish capital targets that commensurate with its risk profiles and control environments.
- Maintenance of the available capital, expressed as a multiple of the statutory CAR within a range that supports the shareholder's objectives whilst suitably protecting the interests of the policyholders.
- For the setting of MTCL and ITCL which accurately reflects the risk profiles of the Company, taking into consideration the quality and effectiveness of the Company's ERM Framework and risk management strategies.
- For treatment of risks not fully captured under the Risk-Based Capital (RBC) Framework and external risks to be taken up and considered within the Company's internal capital target management.
- For the Company to utilise an effective capital management strategy to create shareholder value whilst maintaining an appropriate level of capital to protect the policyholders' interests and satisfy regulatory requirements.
- For the continued payment of dividends on ordinary shares through the effective management of the Company's CAR positions at the point of payment and the avoidance of significant deterioration to the CAR after payments.
- Dynamic management of the Company's statement of financial position and capital mix.

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32. RISK MANAGEMENT FRAMEWORK (CONT'D.)

32.2 Capital management objectives, policies and approach (Cont'd.)

Approach to capital management

With reference to the Bank Negara Malaysia's (BNM) Guidelines of Stress Testing for Insurers, the impact of adverse scenarios on the capital position of the Company is considered and incorporated into the CMP and the management of the Company's CAR positions. This is also consistent with the Company's Individual Capital Adequacy Assessment Process.

The CMP has been implemented for the Company to monitor and manage the CAR should there be adverse conditions developing that may threaten to lower the CAR below the MTCL, ITCL and STCL. The CMP also defines conditions and scenarios which may act as indicators of potential or impending adverse situations, allowing the Management to prepare and respond quickly before those adverse situations become a reality.

32.3 Regulatory framework

Through the RBC Framework, BNM is primarily concerned with protecting the interests of the policyholders and monitors insurers closely to ensure that the management of policyholders' interests remain at a satisfactory level. At the same time, BNM is also interested in ensuring that the Company maintains an appropriate capital position to meet the unforeseen liabilities arising from economic shocks or natural disasters.

32.4 Asset-Liability Management ("ALM") framework

The Company manages asset and liability positions within the ALM framework that has been developed with the objectives of achieving sustainable and predictable medium to long-term investment returns while prudently preserving capital to meet the financial and contractual obligations of the Company. The ALM framework considers multiple drivers which include interest rate movements, changes in financial obligations, asset and liability classes etc. to provide the Management and the Board with a transparent, accurate and dynamic ALM monitoring structure for effective oversight and decision making. Scenario modelling and stress testing methodologies are also extensively used to determine possible outcomes and impacts on the Company's ALM management in the event of unpredictable or extreme market and environmental situations. These methods allow for a comprehensive Sensitivity Assessment of the Company's ALM portfolio and removes uncertainties around impacts and outcomes. The Asset and Liability Committee (ALCO) maintains regular oversight, continually assessing the performance and condition of the Company's ALM portfolio while striving to achieve optimized returns on investments within the risk appetites and tolerances stipulated by the Risk Appetite Statements.

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33. INSURANCE RISK

33.1 Nature of risk

The Company principally issues the following types of general insurance contracts: Motor, Household and Commercial Fire, Business Interruption, Personal Accident, Extended Warranty and other Miscellaneous commercial contracts. Risks under these contracts usually cover a twelve-month duration other than Contractors' All Risk & Engineering and Extended Warranty which may be extended for more than a year. For general insurance contracts, the most significant risk arises from the frequency and severity of the claims experience. These risks vary significantly in relation to the location of risk, type of risk insured and industry.

The above risks are mitigated by diversification across a large portfolio of insurance contracts. The volatility of risks is mitigated by implementation of underwriting strategies and claims management policies which attempt to minimise risks while at the same time encouraging reduction in the time taken to settle claims.

The Company limits its exposure to risk via various reinsurance arrangements. Also, claims exposure is limited to individual contracts and loss events basis such as floods and fires, as well as accidents involving multiple insureds.

33.2 Concentration of insurance risk by type of contract

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:

	Gross RM'000	Reinsurance RM'000	Net RM'000
2021			
Motor	1,974,062	(112,519)	1,861,543
Fire	183,514	(100,777)	82,737
Personal accident	18,833	(3,140)	15,693
Miscellaneous	246,566	(165,431)	81,135
	<u>2,422,975</u>	<u>(381,867)</u>	<u>2,041,108</u>
Less: Impairment loss on reinsurance assets	-	2,072	2,072
	<u>2,422,975</u>	<u>(379,795)</u>	<u>2,043,180</u>

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33. INSURANCE RISK (CONT'D.)

33.2 Concentration of insurance risk by type of contract (Cont'd.)

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:(Cont'd.)

	Gross RM'000	Reinsurance RM'000	Net RM'000
2020			
Motor	2,006,945	(121,121)	1,885,824
Fire	185,358	(118,733)	66,625
Personal accident	15,724	(3,191)	12,533
Miscellaneous	229,032	(152,585)	76,447
	<u>2,437,059</u>	<u>(395,630)</u>	<u>2,041,429</u>
Less: Impairment loss on reinsurance assets	-	2,258	2,258
	<u>2,437,059</u>	<u>(393,372)</u>	<u>2,043,687</u>

Included in motor insurance contract liabilities is the Company's proportionate share of claim liabilities and premium liabilities in MMIP of RM23.8 million and RM1.3 million, respectively (2020: claim liabilities of RM29.0 million and premium liabilities of RM2.3 million).

33.3 Insurance contract liabilities for general insurance

The insurance contract liabilities comprised claim and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

Claim liabilities

The estimate of (outstanding) claim liabilities is made up of the following components:

- The best estimate value of the outstanding claim payments associated with all claims that have been incurred as at the valuation date;
- An estimate for future claims handling expenses ("CHE") associated with the outstanding claim payments; and
- An estimate of diversified risk margins resulting in the provision of the overall Insurance Liabilities at the company level at 75% level of sufficiency.

33. INSURANCE RISK (CONT'D.)

33.3 Insurance contract liabilities for general insurance (Cont'd.)

Premium liabilities

The estimate of premium liabilities is the higher of:

- The aggregate of the unearned premium reserve calculated as per BNM guidelines; or
- The unexpired risk provision, which is made up of:
 - the best estimate value of future claim liabilities associated with the unexpired portion of the premiums written up to the valuation date.
 - an estimate for the future policy handling expenses ("PHE") and CHE associated with managing the unexpired policies and the corresponding future claims incurred respectively.
 - an estimate for the future cost of reinsurance for future periods where reinsurance recoveries are expected and reinsurance has not been arranged.
 - an estimate of diversified risk margins resulting in the provision of the overall insurance liabilities at the Company level at 75% level of sufficiency.

33.3.1 Valuation methodology

The valuation methods employed are generally accepted actuarial methods. The following methods have been employed to analyse the experience and to derive the estimate of claim liabilities before CHE:

- Paid Chain Ladder ("PCL") or Incurred Chain Ladder ("ICL");
- Bornhuetter-Ferguson ("BF"); and
- Expected Loss Ratio ("ELR").

The method(s) employed for each valuation group take into account factors such as characteristics of the claims, recent trends in claims experience, size and stability of each valuation group.

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33. INSURANCE RISK (CONT'D.)

33.3 Insurance claim liabilities for general insurance (Cont'd.)

33.3.2 Key assumptions

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience.

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

33.3.3 Discounting

The insurance liabilities have been discounted using the risk-free discount rate derived from zero-coupon spot yield curve of Malaysian Government Securities ("MGS").

33.3.4 Sensitivities

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

The analysis on the next page is performed for reasonably possible movements in the key assumption with all other assumptions held constant, showing the impact on gross and net liabilities, profit before taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumption, the assumption had to be changed on an individual basis.

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33. INSURANCE RISK (CONT'D.)

33.3 Insurance claim liabilities for general insurance (Cont'd.)

33.3.4 Sensitivities (Cont'd.)

	Change in assumption of attritional ultimate claims ratio	←-----Increase/(decrease)-----→			
		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					
Motor Act	+8.9%	44,127	43,096	(43,096)	(32,753)
Motor Others	+6.8%	58,694	57,211	(57,211)	(43,480)
Fire	+15.0%	26,278	14,370	(14,370)	(10,921)
Personal Accident and Medical	+3.5%	2,825	2,542	(2,542)	(1,932)
2020¹					
Motor Act	+10.1%	48,641	47,517	(47,517)	(36,113)
Motor Others	+6.4%	55,257	53,883	(53,883)	(40,951)
Fire	+15.0%	28,955	15,082	(15,082)	(11,462)
Personal Accident and Medical	+3.5%	3,247	2,946	(2,946)	(2,239)

* impact on equity reflects adjustments for tax, where applicable.

A reduction in the key assumption at the rates shown above will have an equal but opposite effect on gross and net liabilities, profit before taxation and equity.

¹ Comparative information have been restated to align with change in current financial year stress test assumptions.

33. INSURANCE RISK (CONT'D.)

33.3 Insurance claim liabilities for general insurance (Cont'd.)

33.3.5 Claims development table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future claim experience being more adverse than assumed and exercises a degree of caution in setting the reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin to provide necessary confidence in adequacy is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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

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

Gross general insurance contract liabilities for 2021:

Accident year	Before 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,178	1,243,368	1,092,370			
One year later	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565	1,096,000	1,186,034				
Two years later	1,087,252	998,910	1,007,382	1,098,274	1,021,983	1,044,485					
Three years later	1,049,006	933,819	916,885	1,032,314	970,496						
Four years later	1,009,430	901,251	875,653	964,732							
Five years later	962,661	883,481	873,158								
Six years later	950,541	869,500									
Seven years later	971,027										
Current estimate of cumulative claims incurred	971,027	869,500	873,158	964,732	970,496	1,044,485	1,186,034	1,092,370			
At end of accident year	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)	(454,994)	(372,078)			
One year later	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)	(689,370)	(714,911)				
Two years later	(815,309)	(755,021)	(743,674)	(841,972)	(812,808)	(796,663)					
Three years later	(874,843)	(813,229)	(809,250)	(891,723)	(867,295)						
Four years later	(901,976)	(834,470)	(825,028)	(916,406)							
Five years later	(924,531)	(843,008)	(835,583)								
Six years later	(929,868)	(849,203)									
Seven years later	(933,371)										
Cumulative payments to-date	(933,371)	(849,203)	(835,583)	(916,406)	(867,295)	(796,663)	(714,911)	(372,078)			
Gross general insurance claims liabilities (direct and facultative)	37,656	20,297	37,575	48,326	103,201	247,822	471,123	720,292	1,686,292	27,579	1,713,871

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33. INSURANCE RISK (CONT'D.)

33.3 Insurance claim liabilities for general insurance (Cont'd.)

33.3.5 Claims development table (Cont'd.)

Net general insurance claims liabilities for 2021:

Accident year	Before 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,559	1,062,879	963,685			
One year later	959,376	951,089	959,398	1,058,099	977,750	973,556	1,032,528				
Two years later	982,953	907,365	924,949	1,008,222	931,761	935,655					
Three years later	935,316	844,427	850,963	947,314	875,023						
Four years later	884,072	809,285	809,037	886,015							
Five years later	871,175	797,601	805,537								
Six years later	862,818	791,601									
Seven years later	871,808										
Current estimate of cumulative claims incurred	871,808	791,601	805,537	886,015	875,023	935,655	1,032,528	963,685			
At end of accident year	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)	(443,656)	(350,808)			
One year later	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)	(637,658)	(665,818)				
Two years later	(760,861)	(694,479)	(695,841)	(776,164)	(747,218)	(729,367)					
Three years later	(809,793)	(746,892)	(751,734)	(823,773)	(797,115)						
Four years later	(833,687)	(765,158)	(769,553)	(845,560)							
Five years later	(844,590)	(773,178)	(779,160)								
Six years later	(849,069)	(778,865)									
Seven years later	(852,802)										
Cumulative payments to-date	(852,802)	(778,865)	(779,160)	(845,560)	(797,115)	(729,367)	(665,818)	(350,808)			
Net general insurance claims liabilities (direct and facultative), gross of impairment loss on reinsurance assets	19,006	12,736	26,377	40,455	77,908	206,288	366,710	612,877	1,362,357	27,579	1,389,936

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33. INSURANCE RISK (CONT'D.)

33.3 Insurance claim liabilities for general insurance (Cont'd.)

33.3.5 Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2020:

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,178	1,243,368			
One year later	1,078,538	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565	1,096,000				
Two years later	1,061,512	1,087,252	998,910	1,007,382	1,098,274	1,021,983					
Three years later	1,106,863	1,049,006	933,819	916,885	1,032,314						
Four years later	1,052,914	1,009,430	901,251	875,653							
Five years later	1,028,657	962,661	883,481								
Six years later	1,027,931	950,541									
Seven years later	1,030,948										
Current estimate of cumulative claims incurred	1,030,948	950,541	883,481	875,653	1,032,314	1,021,983	1,096,000	1,243,368			
At end of accident year	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)	(454,994)			
One year later	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)	(689,370)				
Two years later	(886,525)	(815,309)	(755,021)	(743,674)	(841,972)	(812,808)					
Three years later	(941,110)	(874,843)	(813,229)	(809,250)	(891,723)						
Four years later	(971,793)	(901,976)	(834,470)	(825,028)							
Five years later	(984,310)	(924,531)	(843,008)								
Six years later	(988,726)	(929,868)									
Seven years later	(991,871)										
Cumulative payments to-date	(991,871)	(929,868)	(843,008)	(825,028)	(891,723)	(812,808)	(689,370)	(454,994)			
Gross general insurance claims liabilities (direct and facultative)	39,077	20,673	40,473	50,625	140,591	209,175	406,630	788,374	1,695,618	31,721	1,727,339

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33. INSURANCE RISK (CONT'D.)**33.3 Insurance claim liabilities for general insurance (Cont'd.)****33.3.5 Claims development table (Cont'd.)**

Net general insurance claims liabilities for 2020:

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,559	1,062,879			
One year later	896,635	959,376	951,089	959,398	1,058,099	977,750	973,556				
Two years later	860,834	982,953	907,365	924,949	1,008,222	931,761					
Three years later	885,185	935,316	844,427	850,963	947,314						
Four years later	849,500	884,072	809,285	809,037							
Five years later	831,688	871,175	797,601								
Six years later	824,031	862,818									
Seven years later	828,077										
Current estimate of cumulative claims incurred	828,077	862,818	797,601	809,037	947,314	931,761	973,556	1,062,879			
At end of accident year	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)	(443,656)			
One year later	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)	(637,658)				
Two years later	(730,446)	(760,861)	(694,479)	(695,841)	(776,164)	(747,218)					
Three years later	(773,550)	(809,793)	(746,892)	(751,734)	(823,773)						
Four years later	(797,507)	(833,687)	(765,158)	(769,553)							
Five years later	(808,834)	(844,590)	(773,178)								
Six years later	(811,696)	(849,069)									
Seven years later	(814,260)										
Cumulative payments to-date	(814,260)	(849,069)	(773,178)	(769,553)	(823,773)	(747,218)	(637,658)	(443,656)			
Net general insurance claims liabilities (direct and facultative), gross of impairment loss on reinsurance assets	13,817	13,749	24,423	39,484	123,541	184,543	335,898	619,223	1,354,678	31,721	1,386,399

34. FINANCIAL RISK

34.1 *Credit risk*

Credit risk is defined as the risk of possible losses resulting from asset defaults; and related losses due to the inability or unwillingness of a counterparty to fully meet its contractual financial obligations.

The Company's significant credit exposures include:

- Investment credit risk – financial loss arising from a change in the value of an investment due to a rating downgrade, default, or widening of credit spreads. Changes in credit spreads are also affected by the liquidity of the stock, but since the liquidity is usually closely related to credit risk, the risk is managed as credit risk.
- Reinsurance counterparty risk – financial loss arising from a reinsurer's default, or the deterioration of the reinsurer's financial position.
- Insurance and other receivables credit risk - financial loss arising from default by insured, agents or other counterparties in the normal course of business; and staff loans and other receivables.

Reinsurance counterparty risk

The Company is exposed to three types of reinsurance counterparty risk:

- as a result of debts arising from claims made by the Company but not yet paid by the reinsurer;
- from reinsurance premium payments made to the reinsurer in advance; and
- as a result of reserves held by the reinsurer which would have to be met by the Company in the event of default.

In order to mitigate the reinsurance counterparty risk, the Company will give due consideration to the credit quality of a reinsurer before incepting a reinsurance treaty. To facilitate this process, a list of acceptable reinsurers is maintained within the Company.

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34. FINANCIAL RISK (CONT'D.)

34.1 Credit risk (Cont'd.)

Insurance and other receivables credit risk

The Company is exposed to insurance receivables credit risk arising from default by insured, agents or other counterparties. One of the credit events would be non-remittance of premium collected on behalf of insureds by the agents. In order to mitigate the insurance receivables credit risk, the Company will give due consideration to the credit quality of an agent before accepting him as an agent and constantly monitor receivable ageing, including conforming to the Cash Before Cover rule.

Loan credit risk

The Company is exposed to loan credit risk in several different areas, the most material of which is mortgage loans to employees of the Company.

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets/insurance contracts exposed to credit risk and recognised in the statement of financial position as shown in the table below:

	Note	2021 RM'000	2020 RM'000
AC financial assets:			
Fixed and call deposits	6.2	20,180	19,766
Loans	6.2	456	702
Reinsurance assets	7	379,795	393,372
Insurance receivables	8	52,892	64,536
Other receivables	9	80,330	105,323
Cash and short-term deposits	11	139,967	171,697
Total credit risk exposure		<u>673,620</u>	<u>755,396</u>

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34. FINANCIAL RISK (CONT'D.)

34.1 Credit risk (Cont'd.)

34.1.1 Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties:

	Investment grade RM'000	Non- investment grade/ unrated RM'000	Total RM'000
2021			
AC financial assets:			
Fixed and call deposits	20,180	-	20,180
Loans	-	456	456
Reinsurance assets	276,085	103,710	379,795
Insurance receivables	1,658	51,234	52,892
Other receivables	1	80,329	80,330
Cash and short-term deposits	139,711	256	139,967
Total credit risk exposure	<u>437,635</u>	<u>235,985</u>	<u>673,620</u>
2020			
AC financial assets:			
Fixed and call deposits	19,766	-	19,766
Loans	-	702	702
Reinsurance assets	266,493	126,879	393,372
Insurance receivables	2,198	62,338	64,536
Other receivables	6	105,317	105,323
Cash and short-term deposits	171,468	229	171,697
Total credit risk exposure	<u>459,931</u>	<u>295,465</u>	<u>755,396</u>

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34. FINANCIAL RISK (CONT'D)

34.1 Credit risk (Cont'd.)

34.1.1 Credit exposure by credit rating (Cont'd.)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM"), S&P Global Rating, AmBest or Malaysian Rating Corporation Berhad ("MARC") credit ratings of counterparties. AAA is the highest possible rating.

	AAA RM'000	AA RM'000	A RM'000	B RM'000	Non-rated RM'000	Total RM'000
2021						
AC financial assets:						
Fixed and call deposits	20,180	-	-	-	-	20,180
Loans	-	-	-	-	456	456
Reinsurance assets	-	101,353	172,256	2,476	103,710	379,795
Insurance receivables	-	703	928	27	51,234	52,892
Other receivables	-	1	-	-	80,329	80,330
Cash and short-term deposits	41,087	98,617	7	-	256	139,967
Total credit risk exposure	<u>61,267</u>	<u>200,674</u>	<u>173,191</u>	<u>2,503</u>	<u>235,985</u>	<u>673,620</u>
2020						
AC financial assets:						
Fixed and call deposits	19,766	-	-	-	-	19,766
Loans	-	-	-	-	702	702
Reinsurance assets	-	111,945	154,548	-	126,879	393,372
Insurance receivables	-	1,465	733	-	62,338	64,536
Other receivables	1	5	-	-	105,317	105,323
Cash and short-term deposits	24,215	147,235	18	-	229	171,697
Total credit risk exposure	<u>43,982</u>	<u>260,650</u>	<u>155,299</u>	<u>-</u>	<u>295,465</u>	<u>755,396</u>

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34. FINANCIAL RISK (CONT'D)

34.1 Credit risk (Cont'd.)

34.1.2 Credit exposure on insurance receivables

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

	< 2 months RM'000	>2 to 6 months RM'000	> 6 to 12 months RM'000	> 12 months RM'000	Total RM'000
31 March 2021					
Expected credit loss rate	12%	14%	50%	100%	
Gross carrying amount					
- Insurance receivables	37,676	20,986	4,191	8,771	71,624
31 March 2020					
Expected credit loss rate	5%	16%	56%	100%	
Gross carrying amount					
- Insurance receivables	46,190	25,595	3,860	13,646	89,291

34.2 Liquidity risk

Liquidity risk is the risk that an entity will not have available sufficient cash resources to meet its payment obligations without incurring material additional costs.

The Company will meet its liquidity needs arising in a number of key areas:

- the ability to meet the Company's payment obligations under normal and stressed operating environments without suffering any material loss
- efficient management of additions/withdrawals from the Company's investment funds

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34. FINANCIAL RISK (CONT'D.)

34.2 Liquidity risk (Cont'd.)

Part of the Company's liquidity management strategy is to put in place the necessary framework capable of measuring and reporting on:

- daily cash flows
- minimum liquidity holdings
- cash flow forecasting, for a minimum of 2 months up to a maximum of 1 year
- the composition and market values of the Company's investment portfolios, including liquid holdings
- Insurance contract liabilities

For managing the liquidity of the insurance funds, it is appropriate to maintain a certain proportion of the General Insurance Fund in liquid assets which is derived from the investment mandate of the Company.

34.2.1 Maturity profiles

The table on the next page summarises the maturity profile of the financial and insurance assets and liabilities of the Company based on the remaining undiscounted contractual obligations, including interest payable and receivable.

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

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34. FINANCIAL RISK (CONT'D.)

34.2 Liquidity risk (Cont'd.)

34.2.1 Maturity profiles (Cont'd.)

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

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2021							
Financial investments:							
AC	20,636	20,267	139	49	181	-	20,636
FVTPL	3,619,428	3,619,428	-	-	-	-	3,619,428
	3,640,064	3,639,695	139	49	181	-	3,640,064
Reinsurance assets - claim liabilities	321,863	193,157	108,364	20,939	7,573	-	330,033
Insurance receivables	52,892	52,892	-	-	-	-	52,892
Other receivables	80,330	80,330	-	-	-	-	80,330
Cash and short-term deposits	139,967	139,967	-	-	-	-	139,967
Total undiscounted financial assets	4,235,116	4,106,041	108,503	20,988	7,754	-	4,243,286
Insurance contract liabilities - claim liabilities	1,713,871	966,005	606,217	131,422	62,384	-	1,766,028
Other liabilities	30,236	27,781	88	2,279	88	-	30,236
Lease liabilities	46,480	14,036	27,935	8,147	208	-	50,326
Insurance payables	56,033	56,033	-	-	-	-	56,033
Other payables - financial liabilities	41,083	41,083	-	-	-	-	41,083
Total undiscounted financial liabilities	1,887,703	1,104,938	634,240	141,848	62,680	-	1,943,706
Total liquidity surplus/(gap)	2,347,413	3,001,103	(525,737)	(120,860)	(54,926)	-	2,299,580

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34. FINANCIAL RISK (CONT'D.)

34.2 Liquidity risk (Cont'd.)

34.2.1 Maturity profiles (Cont'd.)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2020							
Financial investments:							
AC	20,468	20,033	241	114	254	-	20,642
FVTPL	3,568,656	3,565,921	-	-	-	2,735	3,568,656
	3,589,124	3,585,954	241	114	254	2,735	3,589,298
Reinsurance assets - claim liabilities	338,682	204,731	114,750	20,545	8,637	-	348,663
Insurance receivables	64,536	64,536	-	-	-	-	64,536
Other receivables	105,323	105,323	-	-	-	-	105,323
Cash and short-term deposits	171,697	171,697	-	-	-	-	171,697
Total undiscounted financial assets	4,269,362	4,132,241	114,991	20,659	8,891	2,735	4,279,517
Insurance contract liabilities - claim liabilities	1,727,339	987,548	611,235	123,349	67,133	-	1,789,265
Other liabilities	25,659	23,344	455	1,842	18	-	25,659
Lease liabilities	46,843	13,678	23,839	13,701	92	-	51,310
Insurance payables	42,120	42,120	-	-	-	-	42,120
Other payables - financial liabilities	42,179	42,179	-	-	-	-	42,179
Total undiscounted financial liabilities	1,884,140	1,108,869	635,529	138,892	67,243	-	1,950,533
Total liquidity surplus/(gap)	2,385,222	3,023,372	(520,538)	(118,233)	(58,352)	2,735	2,328,984

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34. FINANCIAL RISK (CONT'D.)

34.2 Liquidity risk (Cont'd.)

34.2.1 Maturity profiles (Cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories:

	Current* RM'000	Non- current RM'000	Total RM'000
2021			
Assets			
Property and equipment	-	13,765	13,765
Right-of-use assets	-	45,681	45,681
Intangible assets	-	45,502	45,502
Investments	3,639,608	456	3,640,064
Reinsurance assets	239,571	140,224	379,795
Insurance receivables	52,892	-	52,892
Other receivables	80,330	-	80,330
Deferred tax assets	23,005	-	23,005
Tax recoverable	-	-	-
Cash and short-term deposits	139,967	-	139,967
Non-current assets held for sale	1,562	-	1,562
Total assets	4,176,935	245,628	4,422,563
Liabilities			
Insurance contract liabilities	1,626,691	796,284	2,422,975
Other liabilities	27,782	2,454	30,236
Lease liabilities	14,060	32,420	46,480
Insurance payables	56,033	-	56,033
Provision for taxation	5,414	-	5,414
Other payables	229,432	-	229,432
Provision for retirement benefits	1,953	16,397	18,350
Total liabilities	1,961,365	847,555	2,808,920

* Expected maturities within 12 months from the reporting date.

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34. FINANCIAL RISK (CONT'D.)

34.2 Liquidity risk (Cont'd.)

34.2.1 Maturity profiles (Cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories (Cont'd.):

	Current* RM'000	Non- current RM'000	Total RM'000
2020			
Assets			
Property and equipment	-	16,020	16,020
Right-of-use assets	-	47,545	47,545
Intangible assets	-	49,873	49,873
Investments	3,585,687	3,437	3,589,124
Reinsurance assets	248,122	145,250	393,372
Insurance receivables	64,536	-	64,536
Other receivables	105,323	-	105,323
Deferred tax assets	18,211	-	18,211
Tax recoverable	13,338	-	13,338
Cash and short-term deposits	171,697	-	171,697
Non-current assets held for sale	1,562	-	1,562
Total assets	4,208,476	262,125	4,470,601
Liabilities			
Insurance contract liabilities	1,645,152	791,907	2,437,059
Other liabilities	23,345	2,314	25,659
Lease liabilities	13,712	33,131	46,843
Insurance payables	42,120	-	42,120
Other payables	225,831	-	225,831
Provision for retirement benefits	1,664	17,693	19,357
Total liabilities	1,951,824	845,045	2,796,869

* *Expected maturities within 12 months from the reporting date.*

34. FINANCIAL RISK (CONT'D.)

34.3 Market risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets of the Company. A risk of loss also arises from volatility in asset prices, interest rates, or exchange rates. Market risk includes the following three elements:

- Foreign exchange risk
- Interest rate risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in interest rates
- Price risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in equity values

34.3.1 Foreign exchange risk

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

At the reporting date, the Company has no significant exposure to foreign exchange risk.

The Company does not engage in derivative transactions for speculative purposes.

34.3.2 Interest rate risk

Interest rate risk is the risk of fluctuations in fair value or future cash flows of a financial instrument arising from volatility in interest rates.

Day-to-day investment decisions around the management of interest rate risk and its impact on the value of the Company's investments are largely undertaken on behalf of the Company by approved fund managers, within the boundaries set by the fund management mandates entered into between the Company and its related company, AmFunds Management Berhad. The fund managers will assess the extent of interest rate risk allowed by the fund as set out in the fund objectives and relative to the defined performance benchmarks. The methodology to manage interest rate risk within each specific fund is an integral part of the fund manager's approach adopted.

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34. FINANCIAL RISK (CONT'D.)

34.3 Market risk

34.3.3 Price risk

The following table demonstrates the sensitivity to a reasonable change in market indices on the equity securities, as well as collective investment schemes and quoted unit and property trust funds:

	Change in variables	←----- 2021 ----->		←----- 2020 ----->	
		Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
Equity securities:					
Market price	+5%	1,915	1,455	1,438	1,093
Market price	-5%	(1,915)	(1,455)	(1,438)	(1,093)
Unit and property trust funds:					
Market price	+5%	166	126	506	385
Market price	-5%	(166)	(126)	(506)	(385)
Collective investment schemes					
Net asset value	+5%	178,890	135,956	176,352	134,028
Net asset value	-5%	(178,890)	(135,956)	(176,352)	(134,028)

* impact on equity reflects adjustment for tax, where applicable.

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

34.4 Operational risk

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss that cannot be estimated in all operational risks. However, by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage these risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, as well as the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

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35. FAIR VALUE HIERARCHY

The table below analyses those financial instruments carried at fair value and assets for which fair value is disclosed by their valuation methods.

- (a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 - Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021					
Assets measured at fair value on a recurring basis:					
FVTPL financial assets:					
Equity securities					
Quoted	6	38,295	-	-	38,295
Unit and property trust funds	6	3,328	-	-	3,328
Collective investment schemes					
Investment in subsidiaries	6.3	3,406,522	-	-	3,406,522
Investment in others		171,283	-	-	171,283
		<u>3,619,428</u>	-	-	<u>3,619,428</u>

2020

Assets measured at fair value

on a recurring basis:

FVTPL financial assets:

Equity securities

Quoted 6 28,766 - - 28,766

Unquoted 6 - - 2,735 2,735

Unit and property trust funds 6 10,123 - - 10,123

Collective investment schemes

Investment in subsidiaries 6.3 3,340,126 - - 3,340,126

Investment in others 186,906 - - 186,906

3,565,921 - 2,735 3,568,656

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35. FAIR VALUE HIERARCHY (CONT'D.)

There were no transfers between Level 1 or Level 2 of the fair value hierarchy during the current and previous financial years for assets which are carried at fair value.

Unquoted equities are valued using adjusted net asset value. The adjusted net asset value of unquoted equities as at the reporting period is an unobservable input as it is not published. Accordingly, these investments are classified as Level 3 investment within the fair value hierarchy. Changing unobservable inputs to reasonably possible alternative assumptions would not have a significant impact on profit for the year.

Movement in level 3 assets and liabilities measured at fair value:

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	2021	2020
	RM'000	RM'000
At 1 April 2020/2019	2,735	2,768
Total gain/(loss) for the year:		
Included in the income statement:		
Gain on disposal	200	-
Changes in fair value	-	(33)
Disposal	(2,935)	-
At 31 March 2021/2020	<u>-</u>	<u>2,735</u>

36. REGULATORY CAPITAL REQUIREMENTS

The total capital available of the Company as at reporting date, as prescribed under the RBC Framework is provided below:

	2021	2020
Eligible Tier 1 capital		
Fully paid-up ordinary shares (Note 13)	1,000,000	900,000
Paid-up non-cumulative irredeemable preference shares	61,000	61,000
Retained earnings	552,643	612,732
	<u>1,613,643</u>	<u>1,573,732</u>
Tier 2 capital		
RNCPS	-	100,000
	<u>-</u>	<u>100,000</u>
Amounts deducted from capital	(81,431)	(84,666)
Total capital available	<u>1,532,212</u>	<u>1,589,066</u>

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37. INSURANCE FUND

The Company's activities are organised by funds and segregated into Insurance and Shareholder's Funds in accordance with the Financial Services Act, 2013.

The insurance and shareholder's funds have been presented together as one fund in the Company's statement of financial position, income statement and statement of comprehensive income.

The general insurance business offers general insurance products which include Motor, Fire, Personal Accident, Health and Surgical, Marine, Aviation and Transit and Miscellaneous products.

38. SIGNIFICANT AND SUBSEQUENT EVENTS

38.1 The Malaysian Competition Commission ("MyCC")'s Decision against PIAM and its 22 members

On 22 February 2017, MyCC issued a proposed decision against PIAM and 22 of its members, general insurers, for an alleged infringement of the Competition Act, 2010 ("CA 2010"). The Proposed Decision ("PD") included proposed financial penalties on all 22 general insurers, including AmGeneral Insurance Berhad ("AmGeneral"). AmGeneral's share of the proposed infringement penalties amounted to RM45,156,098.

AmGeneral responded to the proposed penalties with written and oral representations. On 13 May 2019, AmGeneral's legal counsel delivered its third oral representations to MyCC and followed up with Members of the Commission ("MOC") reiterating AmGeneral's position that it had not infringed on Section 4(2)(a) of the CA 2010 and that no infringement penalties should be imposed.

On 25 September 2020, AmGeneral received the Notice of Finding ("Notice") of an infringement by the competition commission under Section 40 of the Competition Act 2010.

Pursuant to Section 40 of the Competition Act 2010, the Commission has determined that PIAM and its 22 members have infringed the Section 4 prohibition by participating in an agreement which has, as its object, the prevention, restriction or distortion in relation to the market parts of parts trade and labour charges for PIAM Approved Repairers Scheme ("PARS").

Accordingly, the Commission concluded that a financial penalty of RM18,284,759 to be imposed on AmGeneral, down from the originally proposed infringement penalties of RM45,156,098. In view of the Covid-19 pandemic, the Commission also granted a further reduction of 25% of the financial penalty imposed, bringing the penalty amount to RM13,713,569, which was approximately a 70% reduction from the initial proposed amount.

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38. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

38.1 The Malaysian Competition Commission ("MyCC")'s Decision against PIAM and its 22 members (Cont'd.)

On 13 October 2020, AmGeneral submitted a Notice of Appeal to MyCC pursuant to Section 51 of the CA and, on 23 October 2020, submitted an Application for Stay to the Competition Appeal Tribunal ("COMPAT") pursuant to Section 53 of the CA. On 3 December 2020, the COMPAT objected to AmGeneral's Notification of Application for Stay. After that, AmGeneral submitted an application for a Judicial Review at the Malaysian High Court.

On 15 February 2021, the court fixed the case management for a hearing of the Application for Leave for Judicial Review. Subsequently, on 25 and 26 February 2021, the hearing for the stay applications of the insurers before the COMPAT took place. On 23 March 2021, the COMPAT panel unanimously decided to grant a stay of the financial penalties and the cease and desist orders pending the disposal of the appeal on the merits with no order as to costs.

38.2 COVID-19

The COVID-19 pandemic and its associated economic impact continue to pose challenges and uncertainties to the Malaysian economy and insurance sector. At this juncture, it is not possible to estimate the full impact of the outbreak's long-term effects on the Company's performance or the governments' varying efforts to combat the outbreak and support businesses. The Company will continue to monitor the outbreak's progress and measure the impact, if any, of the outbreak on the Company's financial statements as they occur.