AIG MALAYSIA INSURANCE BERHAD

Registration No: 200701037463 (795492-W)
(Incorporated in Malaysia)

REPORTS AND STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONTENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS	RM'000
Net profit for the financial year	135,251

DIVIDENDS

A final single-tier dividend of 17.70% (RM0.1770 per share) on ordinary shares declared and paid in respect of financial year ended 31 December 2021 amounting to RM55 million on 22 June 2022.

The Directors have not recommended any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers.

BAD AND DOUBTFUL DEBTS

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

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS (CONTINUED)

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secure the liabilities of any other person, or

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

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

ISSUE OF SHARES

No shares were issued by the Company during the financial year.

SHARE OPTION SCHEME

No share option scheme was offered during the financial year.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Raziyah binti Yahya
Thayaparan s/o Sangarapillai (resigned on 16 August 2022)
Antony Fook Weng Lee
Richard Lewis Bender
Chin Siew Siew (appointed on 15 June 2022)
Philip Tan Puay Koon (appointed on 12 July 2022)

DIRECTORS' BENEFIT

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the Employee Share Option Scheme over ordinary shares of American International Group, Inc.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors and professional fees paid to company in which a Director has interest as disclosed in Note 23(b) to the financial statements, and employee benefits of full-time employees of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

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

	Number of stock options over ordinary shares of US$2.50 each			
American International Group, Inc	As at			As at
Employee Stock Options	01.01.2022	Granted	Exercised	31.12.2022
Antony Fook Weng Lee	5,450	1,116	-	6,566

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

DIRECTORS' REMUNERATION

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

	2022 RM'000	2021 RM'000
Directors fees	613	500
Directors other emoluments*	2,036	1,837
Professional fees paid to Directors or any firms of which the Directors are members for service rendered	-	-
Amount paid to or receivable by any third party for services provided by Directors	-	-
Indemnity given or insurance effected for any Director	61	58
	2,710	2,395

* Included in directors' emoluments are benefits-in-kind (based on estimated monetary value) of RM82,429 (2021: RM82,323).

IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

The immediate holding company is AIG Asia Pacific Insurance Pte Ltd, a company incorporated in Singapore and the Directors regard American International Group, Inc, a company incorporated in the State of Delaware, USA as the Company's ultimate holding corporation.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT

The Company has taken concerted steps to ensure compliance with Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance ("Policy Document") and its best practice applications at all times.

(A) BOARD RESPONSIBILITY AND OVERSIGHT

The Board is ultimately responsible for the proper stewardship of the Company's resources, the achievement of corporate objectives and the adherence to good corporate governance practices in conformity with the Policy Document. The Company has complied with the prescriptive applications and adopted management practices that are consistent with the Policy Document.

The Board has an overall responsibility to lead the Company, include setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

The Board comprised of 4 Independent Non-Executive Directors and 1 Executive Director for financial year 2022. The Board is qualified and has wide business and financial experience to effectively provide directions in terms of corporate objectives and business strategies.

There were 8 meetings held during the financial year. All Directors in office at the end financial year 2022 complied with the 75% minimum attendance requirement at such meeting.

The details of attendance of each Director at Board meetings held during the financial year are set out below:

Name of Directors	(Status of Directorship)	Total Meeting Attended
Raziyah binti Yahya	(Independent Non-Executive Director)	8/8
Antony Fook Weng Lee	(Non-Independent Executive Director)	8/8
Richard Lewis Bender	(Independent Non-Executive Director)	8/8
Chin Siew Siew (appointed on 15 June 2022)	(Independent Non-Executive Director)	3/3
Philip Tan Puay Koon (appointed on 12 July 2022)	(Independent Non-Executive Director)	3/3
Thayaparan s/o Sangarapillai (resigned on 16 August 2022)	(Independent Non-Executive Director)	5/6

To support sound corporate governance and processes, the Board formed various Board Committees namely Remuneration & Nominating Committee, Risk Management Committee and Audit Committee in accordance with the requirements of the Policy Document. The Policy Document requires full compliance with the Terms of Reference of these Committees. The Board had adopted the terms of reference of these Committees.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(A) BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

The roles and members of the above Committees are as provided below.

Remuneration & Nominating Committee

The Remuneration & Nominating Committee ("RNC") comprises 3 Non-Executive Directors, appointed from the Board.

The current members are as follows:

Richard Lewis Bender	Chairman (Independent Non-Executive)
Raziyah binti Yahya	Member (Independent Non-Executive)
Chin Siew Siew (appointed on 15 June 2022)	Member (Independent Non-Executive)
Thayaparan s/o Sangarapillai (resigned on 16 August 2022)	Member (Independent Non-Executive)

The objective of the RNC is:

- to establish a documented formal and transparent procedure for the appointment of Directors, Chief Executive Officer ("CEO") and Key Senior Officers ("KSOs") and to assess the effectiveness of individual Directors, the Board as a whole (including various committees of the Board), CEO and KSOs on an on-going basis; and
- to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO and KSOs and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The principal duties and responsibilities of RNC are:

(a) establishing minimum requirements for the Board and the CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between executive, non-executive and independent Directors, and other core competencies required;

(b) recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the CEO position. This includes assessing Directors and the CEO proposed for reappointment before an application for approval submitted to BNM;

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(A) BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

(c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO. The assessments should also include ascertaining that the Director is not disqualified under the relevant law and fulfill the 'fit and proper' criteria;

(d) recommending to the Board the removal of a Director or CEO if he is ineffective, errant or negligent in discharging his responsibilities;

(e) ensuring that all Directors undergo appropriate induction programmes and receive continuous training;

(f) overseeing the appointment, management succession planning and performance evaluation of KSO, and recommending to the Board the removal of KSOs if they are ineffective, errant and negligent in discharging their responsibilities; and

(g) recommending a framework for the remuneration of Directors, the CEO and KSOs. The remuneration policy should:-

- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
- reflect the experience and level of responsibility borne by individual Directors, the CEO and KSOs;
- be sufficient to attract and retain Directors, CEO and KSOs of calibre needed to manage the company successfully; and
- be balanced against the need to ensure that the funds of the insurers are not used to subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(A) BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

(h) recommending specific remuneration packages for Directors, CEO and KSOs. The remuneration packages should:-

- be based on objective considerations and approved by the full Board;
- take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Directors, CEO or KSOs concerned;
- not be decided by the exercise of sole discretion by any one individual or restricted group of individuals; and
- be competitive and consistent with the Company's culture, objectives and strategy.

There were 4 RNC meetings held during the financial year ended 31 December 2022. All members of the RNC at the end of financial year complied with the minimum attendance requirement at such meeting.

Risk Management Committee

The Risk Management Committee ("RMC") comprises 4 Non-Executive Directors, appointed from the Board.

The current members are as follows:

Philip Tan Puay Koon (appointed on 12 July 2022)	Chairman (Independent Non-Executive)
Raziyah binti Yahya	Member (Independent Non-Executive)
Richard Lewis Bender	Member (Independent Non-Executive)
Chin Siew Siew (appointed on 15 June 2022)	Member (Independent Non-Executive)
Thayaparan s/o Sangarapillai (resigned on 16 August 2022)	Chairman (Independent Non-Executive)

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(A) BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Risk Management Committee (continued)

The principal duties and responsibilities of RMC are:

(a) reviewing and recommending risk management strategies, policies and risk tolerance levels for the Board's approval;

(b) reviewing and assessing the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(c) ensuring that adequate infrastructure, resources and systems are in place for effective risk management; e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities; and

(d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

There were 4 RMC meetings held during the financial year ended 31 December 2022. All members of the RMC at the end of financial year complied with the minimum attendance requirement at such meeting.

Audit Committee

The Audit Committee ("AC") comprises 4 Non-Executive Directors, appointed from the Board.

Philip Tan Puay Koon (appointed on 12 July 2022)	Chairman (Independent Non-Executive)
Raziyah binti Yahya	Member (Independent Non-Executive)
Richard Lewis Bender	Member (Independent Non-Executive)
Chin Siew Siew (appointed on 15 June 2022)	Member (Independent Non-Executive)
Thayaparan s/o Sangarapillai (resigned on 16 August 2022)	Chairman (Independent Non-Executive)

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

The principal duties and responsibilities of the AC are:

(a) To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their objectives;

(b) To review and concur the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(A) BOARD RESPONSIBILITY AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

(c) To ensure that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;

(d) To review various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company;

(e) To review with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter;

(f) To review with the external auditors the financial statements, audit reports, including reports to BNM and discuss the findings and issues arising from the external audit;

(g) To ensure that management's remediation efforts with respect to internal and external audit findings and recommendations are resolved effectively and in a timely manner;

(h) To approve the provision of non-audit services by the external auditor and ensure that the level of provision of non-audit services is compatible with maintaining auditor independence;

(i) To review the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;

(j) To review any related-party transactions and conflict of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity;

(k) To ensure that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes; and

(l) To report to BNM annually, on the material weaknesses in the internal control environment and the measures taken to address those weaknesses.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

There were 3 AC meetings held during the financial year ended 31 December 2022. All members of the AC at the end of financial year complied with the minimum attendance requirement at such meeting.

AUDITOR REMUNERATION

External auditors remuneration for statutory audit for the financial year amounts to RM 470,840, as set out in Note 23 to the financial statements. There were no indemnity given or insurance effected for the external auditors of the Company in their role as the statutory auditors.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(B) MANAGEMENT ACCOUNTABILITY

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest in accordance to the provisions of the Financial Services Act, 2013.

The management meets all prescriptive requirements under these sections, and have already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflict of interest, goal setting and the area of communication.

(C) CORPORATE INDEPENDENCE

All material related party transactions are conducted on the agreed terms as specified under BNM Guidelines, BNM/RH/GL/018-6 on Related-Party Transactions and BNM Policy Document on Corporate Governance. Related parties transactions and balances have been disclosed in the financial statements in accordance with MFRS 124 Related Party Disclosure.

(D) INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company through designated management functions and internal controls, which includes the setting of operational risk limits for all core activities. The Company has established internal controls which cover all levels of personnel that are capable of recognising and continually assessing material risks, including underwriting risk, reinsurance risk, investment risk, operational and legal risk, that could affect its performance and financial condition.

Continuous review and assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner.

(E) INTERNAL AUDIT

The internal audit function is provided by the ultimate holding company, AIG. While the Group Internal Audit ("GIA") reports directly to AIG's Audit Committee, it will assist the Company's Audit Committee in discharging its duties and responsibilities.

The main function of the GIA includes assessment of effectiveness and adequacy of internal controls, which includes an independent examination of controls and ensure corrective actions, where necessary, are taken in a timely manner.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE POLICY DOCUMENT (CONTINUED)

(F) PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

(G) FINANCIAL REPORTING

The Board has the overall responsibilities to ensure that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, the provisions of the Companies Act, 2016 in Malaysia and relevant regulatory requirements. In addition, the Company also meets the best practice requirements relating to management reporting, where the key performance indicators are reported on a monthly basis.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 March 2023.

ANTONY FOOK WENG LEE
DIRECTOR

RAZIYAH BINTI YAHYA
DIRECTOR

Kuala Lumpur
30 March 2023

STATEMENT BY DIRECTORS

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

We, Antony Fook Weng Lee and Raziyah binti Yahya, two of the Directors of AIG Malaysia Insurance Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 19 to 96 are drawn up so as to show a true and fair view of the financial position of the Company as at 31 December 2022 and financial performance of the Company for the financial year ended 31 December 2022 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 March 2023.

ANTONY FOOK WENG LEE DIRECTOR	RAZIYAH BINTI YAHYA DIRECTOR

Kuala Lumpur
30 March 2023

STATUTORY DECLARATION

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

I, Zawinah Bte Ismail, the Officer primarily responsible for the financial management of AIG Malaysia Insurance Berhad, do solemnly and sincerely declare that the financial statements for the financial year ended 31 December 2022 set out on pages 19 to 96 are drawn up in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 and 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.

ZAWINAH BTE ISMAIL

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 30 March 2023.

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 864
MAZLEE BIN ISMAIL
01.01.2022-31.12.2024
MALAYSIA

79-1, First Floor, Sri Binus,
Off Jalan Masjid India,
50100 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 200701037463 (795492-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 96.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 200701037463 (795492-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 200701037463 (795492-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 200701037463 (795492-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LIEW CHI MIN
03529/09/2024 J
Chartered Accountant

Kuala Lumpur
30 March 2023

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Property and equipment	4	327	810
Intangible assets	5	3,159	2,148
Available-for-sale financial assets	6	1,144,640	1,180,415
Reinsurance assets	7	378,561	436,873
Loans and receivables, excluding insurance receivables	8	105,870	67,359
Insurance receivables	9	114,751	92,948
Deferred acquisition costs	10	40,532	39,692
Right-of-use assets	13	5,229	7,220
Deferred tax assets	14	15,008	7,384
Cash and bank balances		132,118	70,813
Total assets		1,940,195	1,905,662
Equity and liabilities			
Share capital	11(a)	310,800	310,800
Retained earnings	11(b)	297,405	217,154
Available-for-sale reserve	11(c)	(2,418)	7,936
Total equity		605,787	535,890
Insurance contract liabilities	12	1,088,484	1,162,686
Insurance payables	15	134,612	138,980
Other payables	16	76,113	56,728
Lease liability	17	4,783	6,638
Current tax liabilities		30,416	4,740
Total liabilities		1,334,408	1,369,772
Total equity and liabilities		1,940,195	1,905,662

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

STATEMENT OF INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Gross earned premiums	18(a)	712,305	711,321
Premiums ceded to reinsurers	18(b)	(185,295)	(203,017)
Net earned premiums		527,010	508,304
Investment income	19	36,296	34,292
Realised gains and losses	20	825	512
Commission income	21(a)	41,521	47,240
Other operating revenue		866	10,117
Total revenue		606,518	600,465
Gross claims paid	22(a)	(264,320)	(220,184)
Claims ceded to reinsurers	22(b)	64,876	64,267
Gross changes in contract liabilities	22(c)	108,664	(107,198)
Changes in contract liabilities ceded to reinsurers	22(d)	(68,720)	42,525
Net claims incurred		(159,500)	(220,590)
Commission expense	21(b)	(84,706)	(76,130)
Management expenses	23	(167,478)	(155,755)
Other expenses		(252,184)	(231,885)
Finance cost		(178)	(66)
Profit before taxation		194,656	147,924
Income tax expense	24	(59,405)	(36,878)
Profit for the financial year		135,251	111,046
Earnings per share			
Basic	25	43.5 sen	35.7 sen

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Profit for the financial year		135,251	111,046
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Changes in available-for-sale reserves:			
- Fair value loss arise during the financial year	6(b)	(12,804)	(14,936)
- Fair value realised gain transferred to Statement of Income	20	(821)	(512)
- Tax effect on changes in fair value reserves		3,271	3,708
		(10,354)	(11,740)
Total comprehensive income for the financial year		124,897	99,306

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Non Distributable		Distributable	
	Share capital	Available-for-sale reserves	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	310,800	19,676	187,108	517,584
Profit for the financial year	-	-	111,046	111,046
Other comprehensive income for the financial year	-	(11,740)	-	(11,740)
Total comprehensive income for the financial year	-	(11,740)	111,046	99,306
Dividend paid during the financial year (Note 26)	-	-	(81,000)	(81,000)
At 31 December 2021	310,800	7,936	217,154	535,890
At 1 January 2022	310,800	7,936	217,154	535,890
Profit for the financial year	-	-	135,251	135,251
Other comprehensive income for the financial year	-	(10,354)	-	(10,354)
Total comprehensive income for the financial year	-	(10,354)	135,251	124,897
Dividend paid during the financial year (Note 26)	-	-	(55,000)	(55,000)
At 31 December 2022	310,800	(2,418)	297,405	605,787
	Note 11(a)	**Note 11(c)**	**Note 11(b)**	

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	135,251	111,046
Adjustments for:		
Loss on written off of property and equipment	133	-
Loss on written off of intangible assets	2,889	-
Depreciation of property and equipment	395	552
Amortisation of intangible assets	2,824	1,185
Depreciation of right-of-use assets	2,674	3,272
Finance cost on lease liabilities	178	66
Investment income	(36,296)	(34,292)
Impairment loss on AFS financial assets	2,352	6,018
Realised gains on AFS recorded in Statement of Income	(821)	(512)
Gain on disposal of property and equipment	(4)	-
Income tax expense	59,405	36,878
Bad debts written off on insurance receivables	502	239
Bad debts recovery on insurance receivables	(314)	(264)
Changes in allowance for impairment on insurance receivables	(4,304)	3,714
	164,864	127,902
Changes in working capital:		
Decrease/(Increase) in reinsurance assets	58,312	(53,605)
Increase in insurance receivables	(17,687)	(11,803)
(Increase)/Decrease in deferred acquisition costs	(840)	1,501
(Decrease)/Increase in insurance contract liabilities	(74,202)	99,787
(Decrease)/Increase in insurance payables	(4,368)	46,183
Increase/(Decrease) in other payables	20,509	(235)
(Increase)/Decrease in loans and receivables, excluding insurance receivables	(38,038)	113,791
Cash generated from operations	108,550	323,521
Tax paid	(39,208)	(43,036)
Net cash inflows from operating activities	69,342	280,485

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(45)	(184)
Proceed from disposal of property and equipment	4	-
Purchase of intangible assets	(6,724)	(623)
Interest income received	41,267	36,814
Dividend income received	3,351	4,324
Purchases of AFS financial assets	(244,089)	(510,859)
Proceeds from disposal and maturity of AFS financial assets	255,915	247,620
Net cash outflows from investing activities	49,679	(222,908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(2,716)	(2,836)
Dividend paid	(55,000)	(81,000)
Net cash outflows from financing activities	(57,716)	(83,836)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	61,305	(26,259)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	70,813	97,072
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	132,118	70,813
Cash and cash equivalents comprise:		
Cash and bank balances	18,207	14,077
Fixed and call deposits with maturity of less than 3 months	113,911	56,736
	132,118	70,813

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022

1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at Level 18, Menara Worldwide, 198 Jalan Bukit Bintang, 55100 Kuala Lumpur.

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

The immediate holding company is AIG Asia Pacific Insurance Pte Ltd, a company incorporated in Singapore and the directors regard American International Group, Inc, a company incorporated in State of Delaware, USA as the Company's ultimate holding corporation.

These financial statements were authorised for issue by the Board of Directors in accordance with their resolution on 30 March 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards ("IFRSs"), the requirements of the Companies Act 2016 and the Financial Service Act 2013 in Malaysia.

The financial statements of the Company have been prepared under the historical cost convention, except for items specified in the summary of significant accounting policies.

The Company has met the minimum capital requirements as prescribed by the RBC framework as at the statement of financial position date.

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 statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to standards and interpretation of standards:

On 1 January 2022, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022.

- Amendments to MFRS 116 *Proceeds before Intended Use*
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2018 - 2020 Cycle)*
- Annual Improvements to Illustrative Example accompanying MFRS 16 *Leases: Lease Incentives*
- Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 9 *Financial Instruments Fees in the 10 per cent Test for Derecognition of Financial Liabilities (Annual Improvements to MFRSs 2018 - 2020 Cycle)*

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

New and revised MFRSs in issue but not yet effective

New standards and amendments issued by the MASB but which are not effective for the financial year beginning on 1 January 2022, and have not been adopted early by the Company, are listed below.

The Company will apply two new standards, MFRS 17 'Insurance Contracts' and MFRS 9 'Financial Instruments', for the first time for the financial period commencing 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments.

All other revisions and amendments to existing standards that are effective for financial periods commencing on or after 1 January 2023 are not expected to have a material impact on the Company's results and financial position.

MFRS 17, Insurance Contracts

In May 2017, the MASB issued MFRS 17 'Insurance Contracts', which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4 'Insurance Contracts'. In addition, the MASB issued further amendments to MFRS 17 in June 2020 and December 2021. The December 2021 amendment permits the Company to present comparative information about financial assets as if the classification and measurement requirements of MFRS 9 'Financial Instruments' had been applied to that financial asset in the comparative period (the "Classification overlay").

MFRS 17 is effective for annual reporting periods commencing on or after 1 January 2023 which will be the date of the initial application by the Company. The adoption of MFRS 17 will result in significant changes to the accounting for insurance contracts issued and reinsurance contracts held by the Company. The Company has established a multi-functional project team to implement MFRS 17 across the entire business.

All references to 'insurance contracts' within this note should be read as being equally applicable to both insurance contracts issued and reinsurance contracts held unless explicitly stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

MFRS 17, Insurance Contracts (continued)

Scope

When identifying contracts in the scope of MFRS 17, in some cases the Company will have to assess whether:

- a set or series of individual insurance contracts are required to be combined and treated as a single contract for measurement purposes; and
- any embedded derivatives, distinct investment components and transfers of distinct goods and services have to be separated from the contract and accounted for under another standard.

The Company does not expect significant changes arising from the application of these requirements.

Level of aggregation

Under MFRS 17, the Company recognises and measures contracts on the basis of groups rather than individual contracts. In determining groups, the Company first identifies portfolios of insurance contracts that are subject to similar risks and managed together. Each portfolio is then further disaggregated into groups of insurance contracts with insurance contracts allocated to a group on the basis of expected profitability at initial recognition and annual cohorts. Once established at initial recognition, the composition of the groups is not reassessed subsequently.

Contract boundary

The measurement of a group of insurance contracts includes all the cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services (the 'coverage period').

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Measurement

MFRS 17 introduces a new measurement model, the general measurement model (GMM), that comprises the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the expected cash flows attributable to insurance contracts discounted to a present value and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit that the Company will recognize as it provides insurance services over the coverage period of the insurance contract. MFRS 17 also introduces two modifications to the GMM: the variable fee approach (VFA) which is mandatory for insurance contracts where the policyholder has a direct participating interest; and the premium allocation approach (PAA) which is an optional simplification of the general measurement model where certain criteria are met.

The Company has no insurance contracts within the scope of the VFA.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Measurement (continued)

The Company has evaluated the eligibility for applying the PAA to all groups of insurance contracts in force at the transition date (1 January 2022) and for the current period and determined that the PAA is permitted to be applied to all insurance lines. The Company has therefore elected to measure all groups of insurance contracts applying the PAA and consequently no insurance contracts are measured applying the GMM.

Measurement - PAA

The main changes the Company expects to arise from MFRS 17 include: the requirement to discount the liability for incurred claims (LIC) and, in certain circumstances, the liability for remaining coverage (LRC) – and related assets for remaining coverage (ARC) and assets for incurred claims (AIC) for reinsurance contracts held; the potential earlier recognition of losses for onerous contracts due to the lower granularity of assessment compared to the loss adequacy review under MFRS 4; and the introduction of an explicit risk adjustment for non-financial risk.

Additionally, under MFRS 17 all components of insurance contract measurement are considered monetary items which is a change from MFRS 4 where certain components, such as the unearned premium reserve, were considered non-monetary items.

Discount rates

The LRC and LIC (and ARC and AIC for reinsurance contracts held) are discounted where applicable. The Company will apply a bottom-up approach to derive the discount rates applied to its insurance based on the risk-free rates for the currency of each insurance contract with an illiquidity adjustment to adjust the risk-free curves to reflect the illiquid nature of the insurance contracts.

Onerous contracts

Insurance contracts measured applying the PAA are assumed to be profitable unless facts and circumstances indicate otherwise. At initial recognition, insurance contracts that are expected to result in a net cash outflow are allocated to a group of onerous contracts and measured separately from insurance contracts within the portfolio that are expected to be profitable. Where a group of insurance contracts is determined to be onerous, a loss component of the LRC is recognized as an insurance service expense.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. The Company estimates the risk adjustment for non-financial risk separately from all other estimates.

The risk adjustment for non-financial risk under MFRS 17 is expected to be higher than the regulatory prudence margins inherent within the best estimate claims reserves under MFRS 4 as a result of: (a) recalibration of the measurement techniques to conform with the MFRS 17 requirements; (b) exclusion of financial risk and general operational risk from the MFRS 17 risk adjustment for non-financial risk; and (c) consideration of diversification benefit across the lines of business written by the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

MFRS 17, Insurance Contracts (continued)

Presentation and disclosure

MFRS 17 will also significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company's financial statements.

On adoption, the Company will present insurance contract liabilities and reinsurance contract assets as a single amount on the balance sheet. This will replace the current presentation of insurance contract liabilities (unearned premiums and liability for incurred claims, including IBNR) separately from any deferred acquisition costs and insurance receivables and payables. These items will be derecognized and incorporated into the single measure of insurance contracts on adoption of MFRS 17.

Additionally, under MFRS 17, presentation is determined at the portfolio of insurance contracts level, with any portfolios of insurance contracts issued that are in a net asset position shown separately from those portfolios that are in a liability position. Similarly, portfolios of reinsurance contracts held that are in a net liability position are shown separately from those that are in a net asset position.

Under MFRS 17, amounts recognised in the statement of profit or loss are disaggregated into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses – which will comprise the effects of discounting and any foreign exchange movements. Amounts from reinsurance contracts will be presented separately. Presentation of premium information on the face of the income statement, such as gross written premiums currently shown, is prohibited under MFRS 17.

Transition

The Company will adopt MFRS 17 for its financial statements for the year ending 31 December 2023 and will apply the requirements retrospectively from the transition date of 1 January 2022 (the transition date). The Company has determined that all insurance contracts that had not been derecognized prior to the transition date were eligible to apply the PAA.

The Company will recognize and measure each group of insurance contracts as if MFRS 17 had always applied; derecognize any existing balances that would not exist had MFRS 17 always applied; and will recognize any resulting net difference in equity as at the transition date. The new accounting policies, assumptions, judgements, and estimation techniques employed are subject to change as the Company gathers more data and operational impacts over an extended period for the results of its operations at the transition date and through the comparative and 2023 reporting periods; and

The Company also notes that the impact to the financial statements resulting from the adoption of this standard will significantly be influenced by interest rate sensitivity and the overall macroeconomic environment and are subject to change.

The Company's MFRS 17 implementation project is still work in progress, the Company continues to refine the application of IFRS 17 and IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

MFRS 9, Financial Instruments

In July 2014, the MASB issued MFRS 9 'Financial Instruments', replacing MFRS 139 'Financial Instruments: Recognition and Measurement', which providing new requirements for the classification, measurement and recognition of financial instruments. Classification is determined with reference to the business model for managing and holding financial assets and the contractual cash flow characteristics of the financial instruments held. In addition, a new 'expected credit loss' impairment model is introduced for the measurement of impairment of financial assets, replacing the 'incurred credit loss' model under MFRS 139.

Although MFRS 9 has an effective date for accounting periods beginning on or after 1 January 2018, the Company has elected to take advantage of the provisions in 'Applying MFRS 9, Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)' and will defer its application until the date the Company first adopts MFRS 17 in the accounting period commencing 1 January 2023. The basis for the Company's eligibility for electing to defer the application of MFRS 9, and associated required disclosures, is set out in more detail in note 33.

The Company will apply the provisions of IFRS 9 to the Company's financial instruments retrospectively from January 1, 2023. As permitted by IFRS 9, comparative information for the year ended December 31, 2022 will not be restated and will remain presented in accordance with IAS 39. Additionally, the Company does not intend to take advantage of the December 2021 amendment to IFRS 17 that permits an entity to apply a "Classification overlay" for the presentation of comparative amounts for financial instruments following the adoption of IFRS 17 and IFRS 9.

As of the date of the publication of these financial statements, the Company's current estimated impact to retained earnings and total equity at the IFRS 9 date of initial application of 1 January 2023 is expected to be higher.

The Company expects that the majority of its financial investments will be classified as measured at fair value through other comprehensive income. However, as the insurance contracts that these investments support will be subject to discounting – with the impact of changes in discount rates recognized in profit or loss, the Company expects to utilize the fair value option and classify such financial investments as measured at fair value through profit or loss to minimize or eliminate accounting differences arising.

Other new standards in issue but not yet effective

In addition to the above, the MASB has issued the following new revisions and amendments to existing standards that are not expected to have any material impact on the Company's results or financial position:

- Amendment to MFRS 112 – Deferred tax related to assets and liabilities arising from a single transaction (issued May 2021 and effective from January 1, 2023);
- Amendments to MFRS 101 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current (issued in July 2020 with a revised effective date of January 1, 2023);
- Amendments to MFRS 101 'Presentation of Financial Statements'– Disclosure of Accounting Policies (issued in February 2021 and effective from January 1, 2023);
- Amendments to MFRS 108 – Definition of Accounting Estimates (issued in February 2021 and effective from January 1, 2023);
- Amendments to MFRS 16 'Leases' – Lease Liability in a Sale and Leaseback (issued in September 2022 and effective from January 1, 2024); and
- Amendments to MFRS 101 'Presentation of Financial Statements' – Non-current Liabilities with Covenants (issued in October 2022 and effective from January 1, 2024).

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment

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

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

Property and equipment are depreciated on the straight line basis to write off the cost of assets to their residual values over the estimated useful lives, summarised as follows:

Furniture and equipment	5 years
Computer equipment	2 years
Renovation	5 years

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

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(d) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets – computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives not exceeding 3 years.

(d) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment at each reporting date and when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the asset's fair value less cost of sell and the value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Assets

The Company classifies its financial assets into loans and receivables ("LAR") and available-for-sale ("AFS"). The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired or originated.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

LAR

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

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less impairment losses.

Gains and losses are recognised in the statement of income when the LAR are derecognised or impaired, as well as through the amortisation process.

AFS

AFS securities are non-derivative financial assets that are designated as available for sale or are not classified as LAR. AFS securities are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, AFS securities are remeasured at fair value.

Fair value gains or losses of AFS securities are reported as a separate component of equity until the AFS securities are derecognised or determined to be impaired. Fair value gains and losses on AFS securities denominated in foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

The translation differences on monetary securities are recognised in the statement of income; translation differences on non-monitory securities are reported as a separate component of equity until the AFS securities are derecognised.

On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Determination of fair value

The Company's basis of estimation of fair value for financial instruments is as follows:

Component	Method of determining fair values
(i) Malaysian Government Securities	Indicative market prices
(ii) Unquoted corporate debt securities	Price quoted by pricing agencies and brokers
(iii) Quoted equity securities	Quoted market prices
(iv) Other financial assets and liabilities with a maturity period of less than one year	Carrying values assumed to approximate their fair value

(g) Impairments of financial assets

Assets carried at amortised cost

The Company assess whether objective evidence if impairment exist individually for the financial assets. If there is objective evidence that an impairment loss on financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

When a financial assets is uncollectible, it is written off against the related allowance for impairment losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

AFS

The Company assess at each date of the statement of financial position whether there is objective evidence that financial asset is impaired. For equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairments of financial assets (continued)

AFS (continued)

If there is objective evidence that an impairment loss on financial asset classified as AFS has been incurred, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity change is removed from equity and recognised in the statement of income.

For debt securities, the Company uses criteria and measurement of impairment loss applicable to "assets carried at amortised cost" above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income. Impairment losses previously recognised in the statement of income on equity instruments are not reversed through the statement of income.

(h) Derecognition of financial assets

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

(i) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities in the financial year in which they declared.

(j) Product classification

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are more than the benefits 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 life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

The recognition and measurement of insurance contracts are set out in Note 2 (l) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Reinsurance

The Company cedes insurance risk to reinsurance companies in the normal course of business for all of its businesses.

Reinsurance premium ceded and claims reimbursed are recognised in the same accounting period as the original policy to which the reinsurance relates, and are presented on a gross basis in the statement of income in the financial year in which they are earned.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets.

Reinsurance assets consist of balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the balance sheet. 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.

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

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Insurance contracts

Premium from insurance contract

Premium of insurance contracts is recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from insurance contracts are recognised during the financial year upon the issuance of premium debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the date of the statement of financial position are accrued at the date.

Insurance contracts liabilities

Insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise premium liabilities and claim liabilities.

(i) Premium liabilities

Premium liabilities refer to the higher of:

(a) the aggregate of the unearned premium reserves ("UPR"); or

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

PRAD is an additional component of liability value aimed at ensuring the value of insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the liability will ultimately be sufficient. For the purpose of URR valuation and claim liabilities, the level of confidence is set at 75% at an overall Company level.

UPR represent the portion of the gross premiums of insurance policies written net of the related reinsurance premiums ceded to qualified reinsurers, that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the statement of financial position date, the method that most accurately reflects the actual unearned premium is used. UPR is computed with reference to the month of accounting for the premium on the following bases:

(i) 25% method for marine and aviation cargo, and transit business;
(ii) 1/24th method for all other classes of Malaysian general policies; and
(iii) Time apportionment method for non-annual policies.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Insurance contracts (continued)

(ii) Claims liabilities

Claims and loss adjustment expenses are charged to statement of income as incurred based on the estimated liability for compensations owed to contract holders or their parties damaged by the contract holders.

Claims liabilities (or outstanding claims provision) are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the statement of financial position date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that include a PRAD which is calculated at the overall Company level and includes provision for incurred but not reported ("IBNR") losses. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

(iii) Liability adequacy test on insurance contract liabilities

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 statement of income initially by writing off DAC and by subsequently establishing a provision for liability adequacy.

Acquisition costs and Deferred Acquisition Cost ("DAC")

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Insurance contracts (continued)

Acquisition costs and Deferred Acquisition Cost ("DAC") (continued)

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

Subsequent to initial recognition, these costs are amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in statement of income.

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

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

(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 statement of income. 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 (g) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2 (h) to the financial statement have been met.

(n) Other revenue recognition

Interest income for all interest bearing financial instruments including AFS securities, are recognised in the statement of income using effective interest rate method.

Dividend income is recognised in the statement of income as investment income when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific identified asset or assets and the arrangement conveys to the Company a right to control the use of the asset.

Contracts may contain both lease and non-lease components. Where consideration of these components is not separately identified within the contract, the Company has elected to combine these components and account for the entire contract as a single lease component.

Assets and liabilities arising from lease contracts are recognised at the lease commencement date which is the date when the identified asset or assets are available for use by the Company and are initially measured on a present value basis. Measurement is based on all expected contractual payments over the lease term which begins on the lease commencement date and extends for the non-cancellable lease period (including any rent free periods) during which the Company has the right-to-use the identified asset or assets. The lease term will include any periods covered by contractual renewal options that the Company is reasonably certain to exercise; but will exclude any periods covered by early termination options that the Company is reasonably certain to exercise.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially using the index or rate prevailing at the lease commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of any penalties for early termination of the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. Where this rate cannot be readily determined, the incremental borrowing rate for the Company is used. This rate is determined based on rate that the Company would expect to pay to borrow funds to obtain an asset of similar value to the right-of-use under the same terms and conditions stated in the lease.

Where the lease includes variable lease payments based on an index or a rate, any potential changes to future lease payments are excluded from the measurement of the lease liability until they actually take effect. When future lease payments are adjusted based on an index or a rate, the lease liability is reassessed based on the revised payments and adjusted against the carrying value of the right-of-use asset.

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the lease liability at initial measurement;
- Any lease payments made at or prior to the lease commencement date less any incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases, where the lease term is 12 months or less, and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. No lease liability or right-of-use asset associated with these leases is recognised in the statement of financial position.

Operating lease payments, where the lessors effectively retain substantially all of the risk and benefits of ownership of the leased items, are recognised as an expense with payments made charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term. Any lease incentives, such as rent free periods, are recognised as a liability and amortized through the Statement of Profit or Loss on a straight line basis over the lease term as a reduction to the related operating lease expense.

(p) Income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income taxes (continued)

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 statement of income for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

Deferred and income tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on net.

(q) Contingent liabilities and contingent assets

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

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

(r) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Short-term employees benefits

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

(ii) Post-employment benefits

The Company's contributions to the Employees' Provident Fund, the national defined contribution plan, are charged to the statement of income in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Share-based compensation

The eligible employees of the Company participate in an equity-settled, share-based compensation plan offered by its ultimate holding company, American International Group Inc. Employee services received in exchange for the grant of the shares and share options are recognised as an expense in the statement of income over the vesting periods of the grant with a corresponding increase equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting condition (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each date of the statement of financial position, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of income with a corresponding adjustment to equity.

(t) Foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

All financial assets and liabilities as at statement of financial position date were denominated in Ringgit Malaysia unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Other Financial Liabilities and Insurance Payables

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

(v) Cash and cash equivalent

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

The Company classified the cash flows for the purchase and disposal of investment in financial assets in its operating cash flows as the purchase are funded from the cash flow associated with the origination of insurance contracts, net of the cash flows for payments of insurance and claims benefits.

(w) Events after the statement of financial position date

Any post year-end event that provides additional information about the Company's position at the date of the statement of financial position (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual result. The estimated and assumptions that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the financial year are outlined below.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

Claims liabilities arising from insurance contracts

Estimates have to be made for both the expected ultimate cost of claims reported at the date of the statement of financial position and for the expected ultimate cost of the IBNR claims at the date of the statement of financial position. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the claims liabilities as at the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior financial year claims estimates are assessed for adequacy and changes made are charged to statement of income. Claims liabilities are not discounted for the time value of money.

The main assumption underlying the estimation of the claims liabilities is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analysed by accident years as well as by business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions 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. A margin for adverse deviation may also be included in the liability valuation.

The key assumptions used in estimates claims liabilities and sensitivity of those assumptions are set out in Note 29 to the financial statements.

(b) Critical judgements in applying the entity accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported result and financial position of the Company. However the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

4. PROPERTY AND EQUIPMENT

	Furniture and equipment RM'000	Computer equipment RM'000	Renovation RM'000	Total RM'000
Cost				
At 1 January 2021	3,933	967	7,874	12,774
Additions	-	34	150	184
At 31 December 2021	3,933	1,001	8,024	12,958
Additions	-	-	45	45
Written off	(88)	(612)	(913)	(1,613)
Disposals	-	(124)	-	(124)
At 31 December 2022	3,845	265	7,156	11,266
Accumulated Depreciation				
At 1 January 2021	3,866	967	6,763	11,596
Charge for financial year	59	6	487	552
At 31 December 2021	3,925	973	7,250	12,148
Charge for financial year	8	17	370	395
Written off	(88)	(612)	(780)	(1,480)
Disposals	-	(124)	-	(124)
At 31 December 2022	3,845	254	6,840	10,939
Net book value				
At 31 December 2021	8	28	774	810
At 31 December 2022	-	11	316	327

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

5. INTANGIBLE ASSETS

	Intangible RM'000
Cost	
At 1 January 2021	26,000
Additions	623
At 31 December 2021	26,623
Additions	6,724
Written off	(7,313)
At 31 December 2022	26,034
Accumulated amortisation	
At 1 January 2021	23,290
Amortisation for the financial year	1,185
At 31 December 2021	24,475
Amortisation for the financial year	2,824
Write off	(4,424)
At 31 December 2022	22,875
Net book value	
At 31 December 2021	2,148
At 31 December 2022	3,159

Intangible assets comprise computer application software which were acquired to meet the unique requirements of the Company.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2022 RM'000	2021 RM'000
(a) At fair value		
Quoted:		
Equity securities of corporations	76,718	78,880
Real estate investment trust	2,422	2,833
	79,140	81,713
Unquoted:		
Malaysian government securities	751,121	763,088
Cagamas papers	74,846	70,776
Corporate debt securities	239,533	264,838
	1,065,500	1,098,702
	1,144,640	1,180,415
Maturity within 12 months	370,543	225,479
Maturity after 12 months	694,957	873,223
	1,065,500	1,098,702

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	RM'000
(b) Available-for-sale financial assets	
At 1 January 2021	943,505
Purchases	510,859
Maturities	(235,000)
Disposals	(13,130)
Fair value gains transferred to statement of income	512
Fair value loss recorded in other comprehensive income	(14,936)
Amortisation of premium, net of accretion of discounts	(6,902)
Movement in impairment allowance	(6,018)
Movement in interest income due and accrued	1,525
At 31 December 2021 / 1 January 2022	1,180,415
Purchases	244,089
Maturities	(250,000)
Disposals	(6,736)
Fair value gains transferred to statement of income	821
Fair value loss recorded in other comprehensive income	(12,804)
Amortisation of premium, net of accretion of discounts	(8,902)
Movement in impairment allowance	(2,352)
Movement in interest income due and accrued	109
At 31 December 2022	1,144,640

7. REINSURANCE ASSETS

	Note	2022 RM'000	2021 RM'000
Reinsurance of insurance contracts:	12		
Claims liabilities		287,980	356,700
Premium liabilities		90,581	80,173
		378,561	436,873
Current		174,562	191,536
Non current		203,999	245,337
		378,561	436,873

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

8. LOANS AND RECEIVABLES, EXCLUDING INSURANCE RECEIVABLES

	2022 RM'000	2021 RM'000
Fixed deposits with licensed banks in Malaysia	62,002	20,533
Staff loans	265	328
	62,267	20,861
Less: Allowance for impairment	(159)	(159)
	62,108	20,702
Other receivables:		
Amount due from Malaysian Motor Insurance pool ("MMIP")	41,056	44,502
- Assets held under MMIP	27,197	28,643
- Cash contribution to MMIP	13,859	15,859
Other receivables, deposits and prepayments	2,206	1,930
Amount due from related corporations (Note 27 (c))	500	225
	43,762	46,657
Total loans and receivables	105,870	67,359
Current	105,829	67,249
Non-current	41	110
	105,870	67,359

MMIP balance as at 31 December 2022 is a net receivable of RM26,136,856 (2021: RM23,392,455) after setting off the amounts due from MMIP against the Company's share of MMIP's claims and premium liabilities amounting to RM18,317,706 (2021: RM21,109,983) included in Note 12 to the financial statements.

The amount due from related corporations is non-trade in nature, interest-free, unsecured and repayable on demand.

9. INSURANCE RECEIVABLES

	2022 RM'000	2021 RM'000
Due premiums including agents/brokers and co-insurers balance	65,671	66,690
Due from reinsurers and cedants	49,156	30,638
	114,827	97,328
Less: Allowance for impairment	(76)	(4,380)
	114,751	92,948
Current	114,751	92,948

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

10. DEFERRED ACQUISITION COSTS

	Note	2022 RM'000	2021 RM'000
Gross of reinsurance			
At 1 January		40,294	42,095
Commission expense paid	21(b)	85,543	74,329
Amortisation	21(b)	(84,706)	(76,130)
		41,131	40,294
Reinsurance			
At 1 January		602	902
Commission income received	21(a)	41,518	46,940
Amortisation	21(a)	(41,521)	(47,240)
		599	602
Net of reinsurance			
At 1 January		39,692	41,193
Net commission expense		44,025	27,389
Amortisation		(43,185)	(28,890)
At 31 December		40,532	39,692
Current		40,532	39,692

11. EQUITY

(a) Share capital

	2022		2021	
	No of Shares '000	Amount RM'000	No of Shares '000	Amount RM'000
Ordinary share issued and fully paid:				
At 1 January / 31 December	310,800	310,800	310,800	310,800

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

11. EQUITY (CONTINUED)

(b) Retained earnings

The Company is under single-tier tax system, tax paid on the Company's income is a final tax and any dividend distributed will be exempted from tax in the hands of shareholders.

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

(c) Available-for-sale reserves

The available-for-sale reserves comprises of unrealised gain or loss on financial assets classified as available-for-sale, net of deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

12. INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
2022			
Provision for claims reported by policyholders	494,039	(216,172)	277,867
Provision for incurred but not reported claims ("IBNR")	182,733	(71,808)	110,925
Claims liabilities **(i)**	676,772	(287,980)	388,792
Premiums liabilities **(ii)**	411,712	(90,581)	321,131
	1,088,484	(378,561)	709,923
2021			
Provision for claims reported by policyholders	522,369	(234,769)	287,600
Provision for incurred but not reported claims ("IBNR")	263,067	(121,931)	141,136
Claims liabilities **(i)**	785,436	(356,700)	428,736
Premiums liabilities **(ii)**	377,250	(80,173)	297,077
	1,162,686	(436,873)	725,813

(i) Claims Liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2022	785,436	(356,700)	428,736
Claims incurred in current accident year	247,812	(58,158)	189,654
Adjustment to claims incurred in prior accident year	(11,822)	11,879	57
Effect of changes in key assumptions	(80,334)	50,123	(30,211)
Claims paid during the financial year	(264,320)	64,876	(199,444)
At 31 December 2022	676,772	(287,980)	388,792
At 1 January 2021	678,239	(314,176)	364,063
Claims incurred in current accident year	204,869	(58,201)	146,668
Adjustment to claims incurred in prior accident year	74,061	(24,076)	49,985
Effect of changes in key assumptions	48,451	(24,514)	23,937
Claims paid during the financial year	(220,184)	64,267	(155,917)
At 31 December 2021	785,436	(356,700)	428,736

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

12. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premiums Liabilities

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2022		377,250	(80,173)	297,077
Premiums written in the financial year	18	746,767	(195,703)	551,064
Premiums earned during the financial year	18	(712,305)	185,295	(527,010)
At 31 December 2022		411,712	(90,581)	321,131
At 1 January 2021		384,660	(69,092)	315,568
Premiums written in the financial year	18	703,911	(214,098)	489,813
Premiums earned during the financial year	18	(711,321)	203,017	(508,304)
At 31 December 2021		377,250	(80,173)	297,077

13. RIGHT-OF-USE ASSETS

	Properties RM'000
Cost	
At 1 January 2021	7,868
Additions	8,111
Early Termination	(60)
At 31 December 2021 / 1 January 2022	15,919
Additions	809
Early Termination	(126)
At 31 December 2022	16,602
Accumulated Depreciation	
At 1 January 2021	5,427
Charge for financial year	3,274
Early Termination	(2)
At 31 December 2021 / 1 January 2022	8,699
Charge for financial year	2,759
Early Termination	(85)
At 31 December 2022	11,373
Net book value	
At 31 December 2021	7,220
At 31 December 2022	5,229

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

14. DEFERRED TAXATION

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

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2022 RM'000	2021 RM'000
Subject to income tax:		
Deferred tax assets	15,008	7,384
At 1 January	7,384	1,640
(Charged)/Credited to statement of income:		
- property and equipment	62	(107)
- available-for-sale financial assets	1,983	2,625
- other payables	3,233	(1,270)
- premium liabilities	(32)	(103)
- others	(892)	891
	4,354	2,036
Charged to other comprehensive income	3,270	3,708
At 31 December	15,008	7,384
Subject to income tax:		
Deferred tax assets (before offsetting)		
- other payables	7,102	3,869
- premium liabilities	511	543
- property and equipment	-	(62)
- others	6,631	5,540
	14,244	9,890
Offsetting	764	(2,506)
Deferred tax assets (after offsetting)	15,008	7,384
Deferred tax liabilities (before offsetting)		
- fair value changes on available-for-sale financial assets	764	(2,506)
	764	(2,506)
Offsetting	(764)	2,506
Deferred tax liabilities (after offsetting)	-	-
Current	-	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

15. INSURANCE PAYABLES

	2022 RM'000	2021 RM'000
Due to agents and intermediaries	37,625	31,817
Due to reinsurers and cedants	39,212	47,366
Deposits received from reinsurers	57,775	59,797
	134,612	138,980

All amounts are payable within one year.

16. OTHER PAYABLES

	2022 RM'000	2021 RM'000
Accrued expenses	24,770	19,363
Payroll liabilities	5,450	5,529
Amount due to related corporations (Note 27)	36,344	23,223
Other payables	9,549	8,613
	76,113	56,728

All amounts are payable within one year.

17. LEASE LIABILITY

	2022 RM'000	2021 RM'000
Due in 1 year or less	2,610	2,420
Due in 2 to 5 years	2,173	4,218
Total present value of minimum lease payments	4,783	6,638
Future minimum lease payments	4,924	6,923
Less: finance cost	(141)	(285)
Total present value of minimum lease payments	4,783	6,638
Payable within one year		
Future minimum lease payments	2,717	2,583
Finance cost	(107)	(163)
Present value of minimum lease payments	2,610	2,420
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	2,206	4,340
Finance cost	(33)	(122)
Present value of minimum lease payments	2,173	4,218

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

18. NET EARNED PREMIUMS

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Miscellaneous RM'000	Total RM'000
2022					
(a) Gross premiums earned					
Gross premiums	163,511	194,815	33,130	355,311	746,767
Changes in premium liabilities	(26,759)	(9,446)	(46)	1,789	(34,462)
	136,752	185,369	33,084	357,100	712,305
(b) Premiums ceded					
Reinsurance	(85,455)	(5,178)	(16,444)	(88,626)	(195,703)
Changes in premium liabilities	9,624	(107)	(500)	1,391	10,408
	(75,831)	(5,285)	(16,944)	(87,235)	(185,295)
Net earned premiums	60,921	180,084	16,140	269,865	527,010
2021					
(a) Gross premiums earned					
Gross premiums	117,383	181,393	32,124	373,011	703,911
Changes in premium liabilities	7,045	22,854	(580)	(21,909)	7,410
	124,428	204,247	31,544	351,102	711,321
(b) Premiums ceded					
Reinsurance	(67,956)	(7,421)	(16,597)	(122,124)	(214,098)
Changes in premium liabilities	1,587	(478)	(1,077)	11,049	11,081
	(66,369)	(7,899)	(17,674)	(111,075)	(203,017)
Net earned premiums	58,059	196,348	13,870	240,027	508,304

19. INVESTMENT INCOME

	2022 RM'000	2021 RM'000
AFS financial assets:		
Interest income	40,150	35,273
Dividend income	3,433	3,560
LAR interest income	1,615	2,361
Amortisation of premiums, net of accretion of discounts	(8,902)	(6,902)
	36,296	34,292

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022 (CONTINUED)

20. REALISED GAINS AND (LOSSES)

	2022 RM'000	2021 RM'000
Realised gains/(losses) for:		
Property and equipment	4	-
AFS financial assets:		
Equity securities	821	411
Debt securities	-	71
	825	512

21. COMMISSION INCOME/EXPENSE

	2022 RM'000	2021 RM'000
(a) Commission income		
Commission income received	41,518	46,940
Movement in deferred acquisition costs	3	300
	41,521	47,240
(b) Commission expense		
Commission expense paid	(85,543)	(74,329)
Movement in deferred acquisition costs	837	(1,801)
	(84,706)	(76,130)

22. NET CLAIMS INCURRED

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Miscellaneous RM'000	Total RM'000
2022					
(a) Gross claims paid	(79,363)	(108,727)	(4,013)	(72,217)	(264,320)
(b) Claims ceded to reinsurers	46,001	2,659	2,395	13,821	64,876
(c) Gross changes in contract liabilities	90,348	(2,682)	(12,713)	33,711	108,664
(d) Changes in contract liabilities ceded to reinsurers	(53,348)	385	8,284	(24,041)	(68,720)
Net claims incurred	3,638	(108,365)	(6,047)	(48,726)	(159,500)
2021					
(a) Gross claims paid	(35,268)	(97,750)	(26,936)	(60,230)	(220,184)
(b) Claims ceded to reinsurers	27,681	2,404	22,169	12,013	64,267
(c) Gross changes in contract liabilities	(95,994)	23,426	25,152	(59,782)	(107,198)
(d) Changes in contract liabilities ceded to reinsurers	42,541	(452)	(28,996)	29,432	42,525
Net claims incurred	(61,040)	(72,372)	(8,611)	(78,567)	(220,590)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

23. MANAGEMENT EXPENSES

	Note	2022 RM'000	2021 RM'000
Employee benefits expense	23(a)	56,572	56,127
Non-executive Directors' remuneration	23(b)	613	500
Auditors' remuneration:			
- Statutory audit		471	419
- Non-audit fee		1	1
Traveling expenses		160	25
Motor vehicle expenses		157	7
Legal expenses		-	(40)
Advertising		7,425	7,160
Printing and stationery		1,177	1,878
Rent and rates		(17)	73
Electricity and water		251	165
Postage, telephone and telefax		26,298	28,797
Office maintenance		725	394
Entertainment		610	133
Training expenses		608	(832)
Electronic Data Processing expenses		29,128	22,237
Depreciation of property and equipment		395	552
Amortisation of intangible assets		2,824	1,185
Amortisation of right-of-use assets		2,674	3,272
Reversal of impairment on insurance receivables	30(a)	(4,304)	3,714
Impairment of AFS financial assets		2,352	6,018
Write-off of bad debts		501	(27)
Bad debts recovered		(313)	-
Global service fees		19,528	6,447
Other expenses		19,642	17,550
		167,478	155,755

(a) Employee benefits expense

	2022	2021
Wages and salaries	45,541	46,251
Contributions to defined contribution plan	5,556	5,471
Other benefits	5,475	4,405
	56,572	56,127

There are no indemnity given or insurance effected for auditor for the current financial year (2021: Nil)

(b) Directors' Remuneration

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

	2022 RM'000	2021 RM'000
Executive:		
Salaries and other emoluments	1,852	1,662
Contribution to defined contribution plan	184	175
	2,036	1,837
Non-executive:		
Fees	613	500
	613	500
	2,649	2,337

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

23. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' Remuneration (continued)

The amount paid to a firm in which a Director is a Senior Partner for professional services rendered during the financial year is nil (2021: Nil).

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

2022	Fees/ Salary RM'000	Bonus & LTIP* RM'000	EPF RM'000	Benefits-in-kind/ others** RM'000	Total RM'000
Chief Executive Officer					
- Antony Fook Weng Lee	1,459	311	184	82	2,036
Non-Executive Director					
- Raziyah binti Yahya	200	-	-	-	200
- Thayaparan s/o Sangarapillai (resigned on 16 August 2022)	100	-	-	-	100
- Richard Lewis Bender	150	-	-	-	150
- Chin Siew Siew (appointed on 15 June 2022)	88	-	-	-	88
- Philip Tan Puay Koon (appointed on 12 July 2022)	75	-	-	-	75
Total Directors' Remuneration	613	-	-	-	613
Total Chief Executive Officer and Director Remuneration (including benefits-in-kind)	2,072	311	184	82	2,649

2021	Fees/ Salary RM'000	Bonus & LTIP* RM'000	EPF RM'000	Benefits-in-kind/ others** RM'000	Total RM'000
Chief Executive Officer					
- Antony Fook Weng Lee	1,385	195	175	82	1,837
Non-Executive Director					
- Raziyah binti Yahya	200	-	-	-	200
- Thayaparan s/o Sangarapillai	150	-	-	-	150
- Richard Lewis Bender	150	-	-	-	150
Total Directors' Remuneration	500	-	-	-	500
Total Chief Executive Officer and Director Remuneration (including benefits-in-kind)	1,885	195	175	82	2,337

** Long Term Incentive Plan (Share based)*

** Travelling allowance

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

24. INCOME TAX EXPENSE

	2022 RM'000	2021 RM'000
Current tax		
Current financial year	64,974	41,183
Over accrual in prior financial years	(1,215)	(2,269)
	63,759	38,914
Deferred tax		
Origination and reversal of temporary differences	(4,354)	(2,036)
	59,405	36,878

An explanation of relationship between tax expense and profit before taxation is as follows:

	2022 RM'000	2021 RM'000
Profit before taxation	194,656	147,924
Tax calculated at Malaysian tax rate of 24% (2021: 24%)	46,717	35,502
Tax effects of expenses not deductible for tax purposes	3,552	4,260
Income not subject to tax	(824)	(879)
Over provision of deferred and current taxes	(1,215)	(2,005)
Effects due to changes in taxation	11,175	-
Tax expense	59,405	36,878

25. EARNINGS PER SHARE

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

	2022 RM'000	2021 RM'000
Profit attributable to ordinary equity holders	135,251	111,046
Weighted average number of shares in issue	310,800	310,800
Basic earnings per share (sen)	43.5	35.7

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of statement of financial position.

26. DIVIDENDS

	2022 RM'000	2021 RM'000
Final dividend in respect of financial year ended 31 December 2021		
- 17.70 sen per share, single-tier tax exempt dividend on ordinary shares	55,000	-
Final dividend in respect of financial year ended 31 December 2020		
- 26.06 sen per share, single-tier tax exempt dividend on ordinary shares	-	81,000

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

27. RELATED PARTY DISCLOSURES

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

Company	Country of incorporation	Relationship
American International Group, Inc.	State of Delaware, USA	Ultimate holding company
AIG Asia Pacific Insurance Pte Ltd	Singapore	Immediate holding company
AIG Assets Management Ireland Limited	Ireland	Fellow Subsidiaries
AIG Claims,Inc	State of New York, USA	Fellow Subsidiaries
AIG Global Operations, Inc	State of New York, USA	Fellow Subsidiaries
AIG Global Operations (Ireland), Inc	Ireland	Fellow Subsidiaries
AIG Property Casualty International, LLC	State of New York, USA	Fellow Subsidiaries
AIG Re-Takaful (L) Berhad	Malaysia	Fellow Subsidiaries
AIG Shared Service Corp, Philippines	Philippines	Fellow Subsidiaries
AIG Shared Services (M) Sdn Bhd	Malaysia	Fellow Subsidiaries
AIG Technologies (M) Sdn Bhd	Malaysia	Fellow Subsidiaries
AIG Technologies, Inc (Livingston)	State of New Jersey, USA	Fellow Subsidiaries
AIG Travel Asia Pacific Pte	Singapore	Fellow Subsidiaries
AIG Travel Assist (M) Sdn Bhd	Malaysia	Fellow Subsidiaries
AIG Travel Emea Limited	United Kingdom	Fellow Subsidiaries
Tata AIG General	India	Fellow Subsidiaries

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with the ultimate holding company and other related corporations deemed related parties by virtue of them being members of American International Group, Inc. group of companies ("AIG Group").

(a) Details of significant related party transactions during the financial year between the Company and AIG Group are as follows:

	2022 RM'000	2021 RM'000
Inward reinsurance premium received	-	1
Reinsurance premium ceded	(88,639)	(101,709)
Claims paid	(33,771)	(31,476)
Commission earned	33,868	39,932
System related costs paid to related corporations	(16,225)	(17,168)
Reimbursement of expenses paid on behalf of immediate holding company	2,458	1,815
Asset management fees	(171)	(192)
Policy processing and related administration costs	(583)	(539)
Global service fees	(19,528)	(6,447)
Professional fees	(1,611)	(317)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

27. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year are as follows:

	2022 RM'000	2021 RM'000
Short-term employee benefits	5,654	4,994
Post-employment benefits:		
- Defined contribution plan	635	514
	6,289	5,508
Included in the total key management personnel are:		
Executive Directors' remuneration (Note 23(b))	2,036	1,837

Members of key management comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

(c) The significant outstanding balances of the Company with its related parties as at 31 December are as follows:

	2022 RM'000	2021 RM'000
Amount due from/(to) related parties		
Trade related:		
- Insurance receivables	7,934	3,359
- Insurance payables	(51,175)	(66,309)
Amount due from related corporations (Note 8)	500	225
Amount due to related corporations (Note 16)	(36,344)	(23,223)

28. RISK MANAGEMENT FRAMEWORK

(a) Governance and Regulatory Framework

The Board has oversight responsibility for the management of risk within the Company through the Risk Management Committee. It monitors the implementation of the Company's Risk Management Framework, including:

- Management of risk consistent with the risk management strategy and risk governance structure;
- Ensuring the proper functioning of the Enterprise Risk Management ("ERM") function in meeting its responsibilities within the framework;
- Setting and adhering to risk appetite consistent with the Company's risk appetite; and
- Systematically identifying, measuring and managing the various types of risk inherent within the operations.

The successful execution of the risk management strategy will require the combined and coordinated responsibility of leadership of all business units and corporate functions.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

28. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Risk Management Framework

The ultimate objective for managing risks is to maximise the likelihood of meeting the Company's strategic objectives. Strategic objectives are developed to ensure long-term viability and value creation. They are realised through the coordinated management of: (i) risk, (ii) profitability and (iii) growth. The specific objective for risk management is to manage the risk profile (i.e., distribution of outcomes of short-term and long-term financial performance) consistent with strategic objectives.

The Management through oversight of the Board implemented the risk management processes within the Company that sets out the overall business strategies and the general risk management philosophy. The major areas of risk that the activities of the Company are exposed to are, operational risk, liquidity risk, insurance risk, market risk and credit risk.

The risk management infrastructure of the Company sets out clear accountability and responsibility for the risk management process which underlines the principal risk management and control responsibilities.

Processes	**Parties responsible**
Establishment of risk management regime and Company's risk appetite and policy	**Board of Directors** **Risk Management Committee ("RMC")**
Implementation of Company's risk policy and compliance	**Dedicated Committees** • Risk & Capital Committee ("RCC") • Investment Committee **Independent Risk Management and Control Unit** • Internal Audit Department • Compliance Department • Risk Management Department
Implementation and compliance with the Company risk policy	**Business Units** • Agency Branch Channel Management Department • Claims Department • Finance & Accounting Department • Human Resource Department • Management Information Systems (MIS) Department • Operations Department • Underwriting Departments: o Commercial Lines Division o Consumer Lines Division • Service Centres covering: o Administration o Compliance o Legal o Communications & Branding o Risk Management

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

28. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Risk Management Framework (continued)

The formal risk management framework of the Company is as follows:

- The RMC was established at Board level to provide oversight on the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.
- At the management level, the Risk & Capital Committee (“RCC”), co-chaired by the Chief Executive Officer and the Head of Risk was established with the responsibility to identify and communicate to the RMC on critical risks (present and potential) in terms of likelihood of exposures and impact on the Company’s business and the management action plans to manage these risks on a continuing basis.
- The independent risk management and control functions provide support to the RCC and the RMC and are responsible to ascertain that the risk policies are implemented and complied with.
- The Business Units are responsible for identifying, mitigating and managing risks within their lines of business and to ensure that their day-to-day business activities are carried out in accordance with established risk policies, procedures and limits.
- The role of the Audit Committee, supported by the Internal Audit Department, is to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal and regulatory guidelines.
- The risk management policies are subject to review to ensure that they remain applicable and effective in managing the associated risks due to changes in the market and regulatory environments. Risk management policies follow the structure set out by American International Group, Inc, ultimate holding company of the Company.
- The consolidated risk profile of the Company are presented to the RCC and RMC on a quarterly basis.

(c) Risk-based Capital Framework

Bank Negara Malaysia ("BNM") introduced a Risk Based Capital ("RBC") Framework, with effect from 1 January 2009. This Framework applies to all insurers licensed under the Insurance Act 1996. Under this Framework, an insurer is required to hold capital at a level that commensurate with its risk profile, taking into account credit, market, insurance and operational risks. Under this Framework, the Company is required to set an individual target capital level ("ITCL") with clearance from BNM and the minimum statutory capital adequacy ratio ("CAR") is 130%.

The Company has established adequate capital position for both of its ITCL and CAR at all times.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

28. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Risk-based Capital Framework (continued)

RBC approach

The RBC Framework uses a standardised approach, with prescribed capital risk charge applicable against each of the identified risk areas. Capital is equal to the difference between assets and liabilities of the insurer. The RBC Framework specifies the method of valuation for both assets and liabilities - and essential first step in establishing a base level of risk in the level of adequacy of the capital itself.

Assets are generally required to be valued at fair market value. Insurance liabilities (claims and premium liabilities) are required to be valued by an actuary.

The prescribed capital risk charges are then applied against the values of each of the asset and liability classes, in order to bring the base level of adequacy up to a level considered to provide regulatory security.

(d) Capital Management and Contingency Funding Plan

With clearance from BNM, the Board approved and adopted the Capital Management and Contingency Funding Plan ("CM & CFP") for the Company in line with the requirements set out in the RBC Framework.

The objective of the Capital Management Plan (“CMP”)P is to optimise the efficient and effective use of resources in order to maximise the return on equity and to provide an appropriate level of capital to protect the policyholders while taking into account events that can impact the operations and financial resilience of the Company directly or indirectly.

The CMP guides the management of capital in accordance with by the Company’s business strategies and organisational requisites that take into account the business and regulatory environment that the Company operates in. In this respect, the Company sets capital targets for both Tier 1 and Tier 2 as defined under the RBC Framework that is above the minimum regulatory requirements.

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

The RBC Framework and Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for the insurance industry came into effect on 1 January 2009 and 1 September 2012 respectively. Under the frameworks, the Company has to maintain a capital adequacy level that commensurate with its risk profiles. The minimum capital requirement under the Risk-Based Capital Framework regulated by Bank Negara Malaysia is 130% .

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

28. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Capital Management and Contingency Funding Plan (continued)

Stress Testing

The RBC framework also includes a Stress Testing Policy. Stress Tests will be conducted twice a year and as and when required to systematically evaluate the extent by which the Company's capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to exceptional but adverse plausible events and to determine the impact on the performance and financial conditions. The stress tests results together with the counter measures are tabled to the RMC for deliberation and recommendation to the Board for approval. The Stress Tests Result will be submitted to BNM upon request from time to time.

This is consistent with the Company to review and study ITCL every half-year which is consistent to the stress test guidelines.

Contingency Funding Plan
Purpose of this Contingency Funding Plan ("CFP") is to define

- Assessment methods including Early Warning Indicators ("EWIs")
- Governance structure, including monitoring and reporting requirements
- Procedures of assessment, notification and escalation, and lines of accountability regarding material liquidity concerns or liquidity crises with respect to AIGM

(e) Asset-Liability Management ("ALM") Framework

The primary objective of the Company's ALM policy is to ensure that adequate liquid assets are held at all times and to provide satisfactory and consistent earnings on these assets. The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance. The Company's Investment Committee is primarily responsible for the asset/liability management based on guidelines approved by the Board.

ALM Philosophy

The primary investment objective of the fixed income portfolios is long-term preservation of capital and to ensure adequate liquidity to meet claims and other expense liabilities as they occur. A secondary investment objective of the fixed income portfolios is yield and return performance while controlling risk.

With respect to the general insurance business where the average duration of the liabilities ranges mostly between two and five years, the fixed income portfolios shall normally be constructed on a laddered basis with a duration target of between two and seven years and a spread of bond maturities out to around 10 years. In normal general insurance market circumstances, the insurance cash flows together with investment income and bond maturities are likely to be sufficient to meet claims payments. When this is not the case, then the fixed income holdings need to be in liquid bonds which can be easily sold to meet such insurance claim payments.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the timing and the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or the severity of claims are greater that estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and type of business covered. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claim handling.

Underwriting policy

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company's basic underwriting policy is that each line of business is expected to make an underwriting profit on a stand-alone basis. Each product or line of business has its own detailed underwriting guidelines approved locally and regionally in New York. Underwriting authorities are clearly stipulated for each line of business within each profit center, and audited regularly by the profit center. Underwriting authorities and referral levels relate to both amounts and selection of risks to be covered.

Brief details of the Company's underwriting policy for the main classes of business are as follows:

Motor	Almost all business written consists of comprehensive insurance for private cars, generally sold through agents. The remainder consists of comprehensive cover for light commercial vehicles (C permit) and a very small amount of third party cover for private cars. Motor cycles are not accepted, other than on an accommodation basis. Cover is declined for vehicle models subject to high theft rates. A list of such vehicles (based on the Company's own experience) is monitored monthly and updated for underwriters at regular intervals. Rating is strictly in accordance with the BNM tariff and guidelines. Loadings are not generally applied, other than on risks which require referral (eg. young drivers, high value vehicles).
Accident & Health ("A&H")	The Company's A&H business comprises travel insurance, personal accident policies (both group and individual), and a relatively small amount of health cover, which are generally packaged products.
Commercial Lines	All accounts are individually underwritten, other than combined packages which are available on a pre-underwritten basis. Rating for property business is on a tariff basis.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Reinsurance

Reinsurance is used to limit the Company's exposure to losses by ceding risk with reinsurers providing high security.

AIG, Inc. formed the American International Overseas Association (the "Association"), a Bermuda unincorporated association, in 1976 as the pooling mechanism for AIG Inc.'s international general insurance operations. At the time of forming the Association, the member companies entered into a reinsurance agreement governing the insurance business pooled in the Association. The member companies of the Association are National Union Fire Insurance Company of Pittsburgh, Pa., American Home Assurance Company, and New Hampshire Insurance Company. The member companies of the Association act as the Company's immediate reinsurer for all of the Company's treaty reinsurance contracts.

In the ordinary course of business, the Company also cedes facultative reinsurance to other insurance companies in order to further limit the Company's exposure to losses.

Claims management

Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.

The Company's claims reserving policy is to promptly establish a realistic case reserve based on all available factual information in order to produce a best estimate of the total ultimate payment of the claim. In addition, emphasis is placed on the need for consistency and stability of the reserving process, as case estimates are used in the Incurred but not reported ("IBNR") projections. The IBNR estimates are assessed by the external actuary appointed by the management.

Where there is insufficient information to set a case reserve when the claim file is first opened, a nominal initial reserve is established, equal to the average claim payment in the previous year for that class of business. As soon as additional information is received, the initial reserve is then updated.

Open claim files are reviewed at regular intervals, and reserves are adjusted whenever additional information is received. In addition, all open files are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Diversification

Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Company has an objective to control and minimise insurance risk, to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

* The use and maintenance of sophisticated management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time.
* Guidelines are issued for concluding insurance contracts and assuming insurance risks.
* Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of fraudulent claims.
* Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

The concentration of insurance risk before and after reinsurance (based on insurance contract liabilities) in relation to the type of risk accepted is summarised below:

2022	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor		251,385	(4,118)	247,267
Fire		240,799	(125,946)	114,853
Marine Cargo, Aviation Cargo & Transit		78,243	(42,983)	35,260
Miscellaneous		518,057	(205,514)	312,543
	12	1,088,484	(378,561)	709,923

2021	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor		239,257	(3,839)	235,418
Fire		304,388	(169,669)	134,719
Marine Cargo, Aviation Cargo & Transit		65,483	(35,200)	30,283
Miscellaneous		553,558	(228,165)	325,393
	12	1,162,686	(436,873)	725,813

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of loss development pattern and loss ratio movement.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates. The valuation of claims and premium liabilities as at 31 December 2022 have taken into account the COVID-19 impact.

Sensitivities

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

The analysis below is performed for reasonably possible movements in key assumptions 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 claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements on these assumptions are non-linear.

2022	Changes in assumptions	Impact of gross liabilities **RM'000**	Impact of net liabilities **RM'000**	Impact on profit before tax **RM'000**	Impact on equity **RM'000**
Loss Development	+1.5%	45,581	36,395	(36,395)	(27,660)
	+1.0%	30,387	24,263	(24,263)	(18,440)
	+0.5%	15,194	12,132	(12,132)	(9,220)
Loss Ratio	+1.5%	103,331	78,395	(78,395)	(59,581)
	+1.0%	68,888	52,264	(52,264)	(39,720)
	+0.5%	34,444	26,132	(26,132)	(19,860)

2021	Changes in assumptions	Impact of gross liabilities **RM'000**	Impact of net liabilities **RM'000**	Impact on profit before tax **RM'000**	Impact on equity **RM'000**
Loss Development	+1.5%	45,314	36,351	(36,351)	(27,627)
	+1.0%	30,209	24,234	(24,234)	(18,418)
	+0.5%	15,105	12,117	(12,117)	(9,209)
Loss Ratio	+1.5%	100,706	75,889	(75,889)	(57,676)
	+1.0%	67,137	50,593	(50,593)	(38,451)
	+0.5%	33,569	25,296	(25,296)	(19,225)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Claims development table

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

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Claims Development table (continued)

Gross Insurance Contract Liabilities for 31 December 2022:

Accident year	Before 2017 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		326,176	354,414	478,935	322,928	325,270	307,203	
One year later		338,952	315,455	508,975	351,623	265,462		
Two years later		324,480	342,267	485,740	307,888			
Three years later		318,690	332,863	483,180				
Four years later		311,879	319,289					
Five years later		310,475						
Current estimate of cumulative claims incurred		310,475	319,289	483,180	307,888	265,462	307,203	
At end of accident year		154,397	164,107	201,840	110,593	86,885	121,177	
One year later		248,335	249,100	305,908	154,296	160,903		
Two years later		276,228	268,239	374,397	181,158			
Three years later		282,952	277,817	399,575				
Four years later		290,002	282,302					
Five years later		295,689						
Cumulative payments to - date		295,689	282,302	399,575	181,158	160,903	121,177	
Gross general insurance outstanding liabilities (direct and facultative)	19,812	14,786	36,987	83,605	126,730	104,559	186,026	572,505
Gross general insurance outstanding liabilities (treaty & MMIP)								14,134
Best estimate of claims liabilities								586,639
Claims handling expenses								13,126
Fund PRAD at 75% confidence level								77,007
Gross insurance contract liabilities per statement of financial position (Note 12(i))								**676,772**

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Claims Development table (continued)

Net Insurance Contract Liabilities for 31 December 2022:

Accident year	Before 2017 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		270,722	305,265	338,527	231,610	206,123	226,257	
One year later		269,004	280,898	335,949	243,098	182,448		
Two years later		259,382	292,739	335,889	224,913			
Three years later		256,587	288,354	335,905				
Four years later		255,964	282,425					
Five years later		255,037						
Current estimate of cumulative claims incurred		255,037	282,425	335,905	224,913	182,448	226,257	
At end of accident year		147,238	157,461	173,489	106,297	82,537	105,953	
One year later		219,576	232,268	252,306	145,236	129,101		
Two years later		235,448	249,170	273,655	161,652			
Three years later		240,441	256,422	291,167				
Four years later		242,452	259,726					
Five years later		245,729						
Cumulative payments to - date		245,729	259,726	291,167	161,652	129,101	105,953	
Net general insurance outstanding liabilities (direct and facultative)	8,763	9,308	22,699	44,738	63,261	53,347	120,304	322,420
Net general insurance outstanding liabilities (treaty & MMIP)								14,134
Best estimate of claims liabilities								336,554
Claims handling expenses								13,126
Fund PRAD at 75% confidence level								39,112
Net insurance contract liabilities per statement of financial position (Note 12(i))								**388,792**

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Claims Development table (continued)

Gross Insurance Contract Liabilities for 31 December 2021:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		326,777	326,176	354,414	478,935	322,928	325,270	
One year later		316,708	338,952	315,455	508,975	351,623		
Two years later		300,782	324,480	342,267	485,740			
Three years later		295,850	318,690	332,863				
Four years later		294,534	311,879					
Five years later		294,739						
Current estimate of cumulative claims incurred		294,739	311,879	332,863	485,740	351,623	325,270	
At end of accident year		171,274	154,397	164,107	201,840	110,593	86,885	
One year later		248,760	248,335	249,100	305,908	154,296		
Two years later		271,387	276,228	268,239	374,397			
Three years later		279,687	282,952	277,817				
Four years later		281,232	290,002					
Five years later		282,465						
Cumulative payments to - date		282,465	290,002	277,817	374,397	154,296	86,885	
Gross general insurance outstanding liabilities (direct and facultative)	18,283	12,274	21,877	55,046	111,343	197,327	238,385	654,535
Gross general insurance outstanding liabilities (treaty & MMIP)								20,198
Best estimate of claims liabilities								674,733
Claims handling expenses								15,900
Fund PRAD at 75% confidence level								94,803
Gross insurance contract liabilities per statement of financial position (Note 12(i))								**785,436**

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

29. INSURANCE RISK (CONTINUED)

Claims Development table (continued)

Net Insurance Contract Liabilities for 31 December 2021:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		282,890	270,722	305,265	338,527	231,610	206,123	
One year later		277,947	269,004	280,898	335,949	243,098		
Two years later		264,063	259,382	292,739	335,889			
Three years later		261,525	256,587	288,354				
Four years later		260,413	255,964					
Five years later		260,345						
Current estimate of cumulative claims incurred		260,345	255,964	288,354	335,889	243,098	206,123	
At end of accident year		162,509	147,238	157,461	173,489	106,297	82,537	
One year later		230,032	219,576	232,268	252,306	145,236		
Two years later		243,963	235,448	249,170	273,655			
Three years later		249,971	240,441	256,422				
Four years later		251,124	242,452					
Five years later		252,063						
Cumulative payments to - date		252,063	242,452	256,422	273,655	145,236	82,537	
Net general insurance outstanding liabilities (direct and facultative)	9,243	8,282	13,512	31,932	62,234	97,862	123,586	346,651
Net general insurance outstanding liabilities (treaty & MMIP)								20,198
Best estimate of claims liabilities								366,849
Claims handling expenses								15,900
Fund PRAD at 75% confidence level								45,987
Net insurance contract liabilities per statement of financial position (Note 12(i))								**428,736**

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is the proceeds from its financial assets are not sufficient to fund the obligation arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements.

(a) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk includes credit risks in investments and insurance portfolios and counterparty risks. Key areas where the Company is exposed to credit risk are:

- reinsurer's share of insurance liabilities
- amounts due from reinsurer in respect of claims already paid
- amounts due from insurance contract holders
- amounts due from insurance intermediaries
- amounts due from loans and receivables
- amounts due from debt securities
- amounts due from money market and cash position

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. The Company also puts in place policies on credit terms extended to its producers and cancellation of insurance contracts with unpaid premiums beyond the agreed credit terms.

The Company manages the level of risk it accepts by putting in place policies on credit terms. Strict cash before cover and premium warranty endorsement of 60 days are enforced on all policies to prevent capital being tied up in receivables. Upon default, agents will be suspended and policies will be terminated or cancelled unless an appropriate proposal to settle is satisfactory to the management. Thereafter, management keeps a close monitoring on such defaulters by imposing cash terms until debts are completely settled.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Significant credit risk management expertise and resources are available at the regional and corporate offices of the ultimate parent company. The Company adopted policies and procedures developed internally and those mandated by its regional, its ultimate parent company.

The Company has put in place various monitoring and control measures depending on the types of financial assets for which the credit risk arises. For cash and cash equivalents, the Company monitors credit risk through the use of exposure limits. The level of bank exposure is monitored by the Company on a daily basis vis-a-vis the exposure limits. They are reported to the AIG New York office on a monthly basis.

For receivables, the Company prepares aging reports for each creditor type which management reviews on a monthly basis.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	2022 RM'000	2021 RM'000
Loans and receivables excluding insurance receivables	8	105,870	67,359
Available-for-sale financial assets	6(a)	1,065,500	1,098,702
Reinsurance assets	7	378,561	436,873
Insurance receivables	9	114,751	92,948
Cash and bank balances		132,118	70,813
		1,796,800	1,766,695

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit quality of financial assets of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past due nor impaired	Past-due but not impaired	Past-due and impaired	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**
2022				
Loans and receivables excluding insurance receivables	105,870	-	159	106,029
Available-for-sale financial assets	1,065,500	-	14,112	1,079,612
Reinsurance assets	378,561	-	-	378,561
Insurance receivables	86,340	28,411	76	114,827
Cash and bank balances	132,118	-	-	132,118
	1,768,389	28,411	14,347	1,811,147
Allowance for impairment	-	-	(14,347)	(14,347)
	1,768,389	28,411	-	1,796,800

	Neither past due nor impaired	Past-due but not impaired	Past-due and impaired	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**
2021				
Loans and receivables excluding insurance receivables	67,359	-	159	67,518
Available-for-sale financial assets	1,098,702	-	11,760	1,110,462
Reinsurance assets	436,873	-	-	436,873
Insurance receivables	65,566	27,382	4,380	97,328
Cash and bank balances	70,813	-	-	70,813
	1,739,313	27,382	16,299	1,782,994
Allowance for impairment	-	-	(16,299)	(16,299)
	1,739,313	27,382	-	1,766,695

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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") and Malaysian Rating Corporation Berhad ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Total RM'000
2022					
Loans and receivables excluding insurance receivables	62,002	-	-	43,868	105,870
Available-for-sale financial assets*	84,829	5,042	-	975,629	1,065,500
Reinsurance assets	-	1	266,710	111,850	378,561
Insurance receivables	-	-	3	114,748	114,751
Cash and bank balances	127,344	-	-	4,774	132,118
	274,175	5,043	266,713	1,250,869	1,796,800

* The unrated available-for-sale financial assets includes RM751,121,269 in Malaysia Government Securities and RM224,507,798 in Corporate Bonds.

	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Total RM'000
2021					
Loans and receivables excluding insurance receivables	36	7	-	67,316	67,359
Available-for-sale financial assets*	95,907	5,088	-	997,707	1,098,702
Reinsurance assets	-	321	332,648	103,904	436,873
Insurance receivables	-	79	292	92,577	92,948
Cash and bank balances	46,615	22,159	-	2,039	70,813
	142,558	27,654	332,940	1,263,543	1,766,695

* The unrated available-for-sale financial assets includes RM763,087,846 in Malaysia Government Securities and RM234,619,797 in Corporate Bonds.

Amount due from insurance receivables and reinsurance assets that are neither past due nor impaired are contracted with corporations with good collection track records with the Company.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

Age analysis of financial assets past-due but not impaired

As of 31 December 2022, insurance receivables of RM28,411,279 (2021: RM27,381,914) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default and historically indicate that these specific debtors will settle within 1 year. The ageing analysis of these insurance receivables is as follows:

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Total RM'000
2022					
Insurance receivables	4,121	(1,651)	2,723	23,218	28,411
	4,121	(1,651)	2,723	23,218	28,411
2021					
Insurance receivables	3,376	(1,872)	3,363	22,515	27,382
	3,376	(1,872)	3,363	22,515	27,382

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

Impaired financial assets

At 31 December 2022, based on an individual assessment of receivables, there are impaired insurance receivables of **RM75,809 (2021: RM4,379,210)**. For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than two (2) months. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate allowance for doubtful debts accounts. A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables is as follows:

	Note	2022 RM'000	2021 RM'000
Insurance receivables			
At 1 January		4,380	666
Movement for the financial year	23	(4,304)	3,714
At 31 December	9	76	4,380
Available-for-sale financial assets			
At 1 January		11,760	5,742
Movement for the financial year	23	2,352	6,018
At 31 December		14,112	11,760
LAR, excluding insurance receivables			
At 1 January		159	159
Movement for the financial year	23	-	-
At 31 December	8	159	159

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. The Company's liquidity is primarily derived from the operating cash flows which are derived from two sources i.e. underwriting operations and investment operations.

The Company's strong capital position is integral to managing this liquidity. Directors believe that the Company's liquid assets and its net cash provided by operations will enable it to meet any foreseeable cash requirements. In addition, being a 100%-owned subsidiary, the Company relies on the funding capability of its immediate parent company. The major liquidity risk confronting the Company is the day-to-day cash requirements for claims arising from insurance contracts. This risk is addressed by an effective cash management function and ensuring that liquidity is a major consideration for selecting long-term investment securities.

A daily cash position report is prepared and reviewed by management on daily bank balances. The report takes into account projections for settlement of major claims and other liabilities based on the input provided by the different departments executing the transactions.

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

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability its applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate using information that develops during the course of the loss adjustment process.

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(b) Liquidity Risk (continued)

	Carrying Value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022							
Financial investments:							
Loans and receivables, excluding insurance receivables	105,870	62,932	41	-	-	42,063	105,036
Available-for-sale financial assets	1,144,640	431,241	674,599	20,358	-	79,140	1,205,338
Reinsurance assets on claims liabilities	287,980	132,548	107,292	37,625	10,515	-	287,980
Insurance receivables	114,751	114,751	-	-	-	-	114,751
Cash and bank balances	132,118	132,118	-	-	-	-	132,118
Total assets	1,785,359	873,590	781,932	57,983	10,515	121,203	1,845,223
Insurance contract liabilities on claims liabilities	676,772	311,494	252,145	88,422	24,711	-	676,772
Insurance payables	134,612	134,612	-	-	-	-	134,612
Other payables	76,113	76,113	-	-	-	-	76,113
Total liabilities	887,497	522,219	252,145	88,422	24,711	-	887,497

	Carrying Value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021							
Financial investments:							
Loans and receivables, excluding insurance receivables	67,359	21,445	110	-	-	46,013	67,568
Available-for-sale financial assets	1,180,415	287,926	776,174	97,049	-	81,713	1,242,862
Reinsurance assets on claims liabilities	356,700	156,109	138,263	49,372	12,956	-	356,700
Insurance receivables	92,948	92,948	-	-	-	-	92,948
Cash and bank balances	70,813	70,813	-	-	-	-	70,813
Total assets	1,768,235	629,241	914,547	146,421	12,956	127,726	1,830,891
Insurance contract liabilities on claims liabilities	785,436	343,745	304,448	108,715	28,528	-	785,436
Insurance payables	138,980	138,980	-	-	-	-	138,980
Other payables	56,728	56,728	-	-	-	-	56,728
Total liabilities	981,144	539,453	304,448	108,715	28,528	-	981,144

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(c) Currency risk

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

The Company's primary transactions are carried out in Ringgit and its exposure to foreign exchange risk arises principally with respect to US Dollar. The Company faces foreign currency risk, primarily because of its intra-company operating activities and some of its fixed deposit are held in US Dollar.

The following are the carrying amounts of the financial instrument that are denominated in currency other than the functional currency of the Company:

	2022 RM'000	**2021 RM'000**
Financial liabilities		
US Dollar	1,798	215
Financial liabilities		
US Dollar	37,755	23,114

The following table demonstrates the sensitivity to a reasonably possible change in currency rates for all currencies other than the functional currency stated above, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		2022		**2021**	
	Change in variable	Impact on profit before tax **RM'000**	Impact on equity* **RM'000**	Impact on profit before tax **RM'000**	Impact on equity* **RM'000**
Foreign Currency	+15%	(5,393)	(4,099)	(3,435)	(2,611)
Foreign Currency	-15%	5,393	4,099	3,435	2,611

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

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, interest rates or market prices, whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company makes moderate term investments primarily in Malaysian Government Securities and investment graded corporate bonds to support the general insurance policy liabilities.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(d) Market risk (continued)

Generally, insurance regulations restrict the types of assets in which an insurance company may invest. Investment risk represents the exposure to loss resulting from the cash flows from the invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary returns on investments.

To minimise its exposure to investment risk, the Company adopts fundamental research and active management to seek a balanced portfolio to meet the investment objectives for income, security of principal and diversification in terms of size, issuers and types of industry.

Equity price risk (continued)

The Company's equity price risk exposure at financial year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally available-for-sale equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments.

The Company currently maintains low exposure to listed equity securities at less than 10% of its total portfolio to limit equity price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair value or recorded in Income Statement) and Equity (that reflects changes in fair value of available-for-sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on equity risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		2022		**2021**	
Market Indices	Change in variable	Impact on profit before tax	Impact on equity*	Impact on profit before tax	Impact on equity*
		RM'000	**RM'000**	**RM'000**	**RM'000**
Bursa Malaysia	+15%	11,871	9,022	12,257	9,315
Bursa Malaysia	-15%	(11,871)	(9,022)	(12,257)	(9,315)

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(d) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Company's available-for-sale debt securities bear fixed interest rates and therefore the Company is exposed to fair value interest rate risk, but not to cash flow interest rate risk.

In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile, which may change over time, based on management's longer term view of interest rates and economic conditions.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity that reflects re-valuing fixed rate available-for-sale debt securities. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		2022		2021	
	Change in variable	Impact on profit before tax	Impact on equity*	Impact on profit before tax	Impact on equity*
		RM'000	**RM'000**	**RM'000**	**RM'000**
Interest rate	+100 basis point	(13,272)	(10,086)	(12,571)	(9,554)
Interest rate	-100 basis point	13,894	10,559	13,160	10,001

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

(e) Business and operational risk

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

The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and evaluation procedures. Internal Audit, supported by Legal and Compliance Departments, review the effectiveness of internal controls on a regular basis.

(f) Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and items not recognised in the statement of financial position. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(f) Fair value of financial instruments (continued)

The Company classifies all financial assets as either available-for-sale, which are carried at fair value, or as loan and receivables, which are carried at amortised cost. Financial liabilities are classified at amortised cost.

The following table present the estimated fair value of the Company's financial assets and financial liabilities.

	2022			
	Amortised cost RM'000	Market value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Available-for-sale financial assets	-	1,144,640	1,144,640	1,144,640
Loans and receivables, excluding insurance receivables*	105,870	-	105,870	105,870
Insurance receivables*	114,751	-	114,751	114,751
	220,621	1,144,640	1,365,261	1,365,261
Financial liabilities				
Insurance payables*	134,612	-	134,612	134,612
Other payables*	76,113	-	76,113	76,113
	210,725	-	210,725	210,725

* The carrying amounts approximate the fair value as at the date of the statement of financial position due to the relatively short-term maturity of these balances.

	2021			
	Amortised cost RM'000	Market value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Available-for-sale financial assets	-	1,180,415	1,180,415	1,180,415
Loans and receivables, excluding insurance receivables*	67,359	-	67,359	67,359
Insurance receivables*	92,948	-	92,948	92,948
	160,307	1,180,415	1,340,722	1,340,722
Financial liabilities				
Insurance payables*	138,980	-	138,980	138,980
Other payables*	56,728	-	56,728	56,728
	195,708	-	195,708	195,708

* The carrying amounts approximate the fair value as at the date of the statement of financial position due to the relatively short-term maturity of these balances.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(g) Fair value hierarchy

Recurring for value measurement
The following table present information about assets carried at fair value by their valuation method.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
2022			
Financial assets			
Available-for-sale financial assets			
- Equity securities of corporations	76,718	-	76,718
- Real estate investment trust	2,422	-	2,422
- Malaysian government securities	-	751,121	751,121
- Cagamas papers	-	74,846	74,846
- Corporate debt securities	-	239,533	239,533
	79,140	1,065,500	1,144,640

	Level 1 RM'000	Level 2 RM'000	Total RM'000
2021			
Financial assets			
Available-for-sale financial assets			
- Equity securities of corporations	78,880	-	78,880
- Real estate investment trust	2,833	-	2,833
- Malaysian government securities	-	763,088	763,088
- Cagamas papers	-	70,776	70,776
- Corporate debt securities	-	264,838	264,838
	81,713	1,098,702	1,180,415

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(g) Fair value hierarchy (continued)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Company then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

30. FINANCIAL RISK (CONTINUED)

(h) Regulatory capital requirements

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

	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800	310,800
Retained earnings	297,405	217,154
	608,205	527,954
Tier 2 Capital		
Eligible reserves	(2,418)	7,936
	(2,418)	7,936
*Amount deducted from Capital	(18,167)	(9,531)
Total Capital Available	587,620	526,359

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

2022	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of recognised financial assets presented in the balance sheet RM'000	Net amount RM'000
Insurance receivables	145,935	(31,184)	114,751	114,751
	145,935	(31,184)	114,751	114,751

2021	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of recognised financial assets presented in the balance sheet RM'000	Net amount RM'000
Insurance receivables	124,627	(31,679)	92,948	92,948
	124,627	(31,679)	92,948	92,948

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

2022	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of recognised financial assets presented in the balance sheet RM'000	Net amount RM'000
Insurance payables	(165,796)	31,185	(134,611)	(134,611)
	(165,796)	31,185	(134,611)	(134,611)

2021	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of recognised financial assets presented in the balance sheet RM'000	Net amount RM'000
Insurance payables	(170,660)	31,680	(138,980)	(138,980)
	(170,660)	31,680	(138,980)	(138,980)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

32. CONTINGENT LIABILITY

As background, on 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme ("PARS").

On 22 February 2017, the Company received MyCC's notice of proposed decision ("Proposed Decision") that the Company and all the other 21 general insurers who are members of PIAM have infringed Section 4 of the Act - prohibition by participating in an agreement which has, as its object, the prevention, restriction or distortion in relation to the market of parts trade and labour charges for PARS workshops from 1 January 2012 to 17 February 2017 ("Infringement").

The Proposed Decision includes a proposed financial penalty of RM213,454,814.00 on all the 22 general insurers. The Company as one of the members of PIAM, will have a share of RM5,869,631.00 of the proposed penalty.

Between April 2017 to February 2018, the Company (and the other general insurers) submitted written submissions followed by oral representations before the MyCC. Due to the changes of the Members of MyCC (including the Chairman) de novo (new) proceedings took place between February 2019 and June 2019 for the Company (and the other general insurers) to resubmit the oral representations. BNM's Oral Representation took place on 13 May 2019.

On 25 September 2020, the Company's solicitors received the decision dated 14 September 2020 from the MyCC ("Decision") that parties have infringed the prohibition under Section 4 of the Act and which imposes on each of the 22 general insurers financial penalties and a cease and desist from implementing the agreed parts trade discount and hourly labour rates for PARS workshop ("Cease & Desist Order") for the said Infringement. The MyCC imposed a financial penalty of RM5,576,149.86 ("Fine") on the Company based on its submission on mitigation factors. Notwithstanding this, in view of the impact of COVID-19 pandemic, the MyCC granted a reduction of 25% of the financial penalty imposed and a moratorium period for the payment of the financial penalty up to 6-months and payment of the financial penalty by equal monthly instalment for up to 6 months. Accordingly, the Company's financial penalty was reduced from RM5,576,149.86 to RM4,182,112.40.

The Company filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") and an Application for Stay on the payment of the Fine and Cease & Desist Order on 14 October 2020. This was granted by the CAT on 23 March 2021. As such the Company's potential financial liability is RM4,182,112.40.

BNM's session with the CAT together with counsel of the MYCC were completed on 29 October 2021. The first tranche of the appeal hearing before the CAT was completed by 26 November 2021. Counsel for MyCC will commence their reply before the CAT on 17, 21, 24 March 2022 and 6 April 2022 following by the Company's (and other general insurers, including PIAM's) final right of reply fixed on 7 and 21 April 2022.

On 2 September 2022, the CAT unanimously decided to allow AIG's appeal against the MyCC Decision which has been set aside ("CAT Decision"). MyCC has since applied to the High Court for leave to judicially review against the CAT Decision filed an application for Judicial Review (ex parte) and the leave for hearing is fixed for 10 January 2023 and the hearing for the leave application is scheduled to be on the 8th May 2023. AIG (together with PIAM and a majority of the insurers) have filed an objection to MyCC's leave application for Judicial Review.

Saved as disclosed above, the management of the Company believes the criteria to disclose the above as contingent liability are met. Save as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

33. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT

The Company meets the eligibility requirements set out in "Amendments to MFRS 4, 'Insurance Contracts' regarding the implementation of MFRS 9 'Financial Instruments'"; and has elected to defer the application of MFRS 9 until the date that the Company first adopts MFRS 17, 'Insurance Contracts' (the 'deferral option'), which is currently expected to be the financial statements for the year ended December 31, 2023. The eligibility criteria for the application of the deferral option are that the Company's activities were predominantly connected with insurance activities at its annual reporting date immediately preceding April 1, 2016 (being the year ended December 31, 2015) at which date the percentage of the total carrying amount of the Company's liabilities connected with insurance activities was greater than 90% of the total carrying amount of all of its liabilities. There has been no significant change in the Company's activities subsequent to this date.

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI").

The details of the Company's liabilities connected with insurance as at 31 December 2022 are as follows:

	As a % of total liabilities	RM'000
(a) Liabilities arising from contracts within scope of MFRS 4	81.6%	1,088,484
(b) Liabilities arising from insurance or fulfilment of obligations arising from contracts above:		
- Insurance payables	10.1%	134,612
	91.7%	1,223,096

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

33. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT (CONTINUED)

	Fair Value as at 31 December 2022	Change in fair value	Result of the cash flows characteristics test
	RM'000	RM'000	
FVOCI			
Malaysian government securities	751,121	(8,312)	SPPI
Cagamas papers	74,846	(939)	SPPI
Corporate debt securities	239,533	(3,250)	SPPI
Fixed deposits with licensed banks in Malaysia	62,002	-	SPPI
Mandatorily measured at FVTPL			
Equity securities of corporations	76,718	(195)	Non-SPPI
Real estate investment trust	2,422	(108)	Non-SPPI

The following table shows the fair value if financial assets by credit quality:

	AAA	AA	Not-rated	Total
	RM'000	RM'000	RM'000	RM'000
FVOCI				
Malaysian government securities	-	-	751,121	751,121
Cagamas papers	74,846	-	-	74,846
Corporate debt securities	9,983	5,042	224,508	239,533
Fixed deposits with licensed banks in Malaysia	62,002	-	-	62,002
Mandatorily measured at FVTPL				
Equity securities of corporations	-	-	76,718	76,718
Real estate investment trust	-	-	2,422	2,422
	146,831	5,042	1,054,769	1,206,642

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022 (CONTINUED)

33. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT (CONTINUED)

	Fair Value as at 31 December 2021	Change in fair value	Result of the cash flows characteristics test
	RM'000	RM'000	
FVOCI			
Malaysian government securities	763,088	(12,710)	SPPI
Cagamas papers	70,776	(722)	SPPI
Corporate debt securities	264,838	(3,737)	SPPI
Fixed deposits with licensed banks in Malaysia	20,533	-	SPPI
Mandatorily measured at FVTPL			
Equity securities of corporations	78,880	2,326	Non-SPPI
Real estate investment trust	2,833	(165)	Non-SPPI

The following table shows the fair value if financial assets by credit quality:

	AAA	AA	Not-rated	Total
	RM'000	RM'000	RM'000	RM'000
FVOCI				
Malaysian government securities	-	-	763,088	763,088
Cagamas papers	70,776	-	-	70,776
Corporate debt securities	25,131	5,088	234,619	264,838
Fixed deposits with licensed banks in Malaysia	36	7	20,490	20,533
Mandatorily measured at FVTPL				
Equity securities of corporations	-	-	78,880	78,880
Real estate investment trust	-	-	2,833	2,833
	95,943	5,095	1,099,910	1,200,948