

PROGRESSIVE INSURANCE BHD
197401001891 (19002-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2022

197401001891 (19002-P)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS

Tan Sri Sukarti Bin Wakiman (Chairman)	
Datuk Wong Poh Loon (Deputy Chairman)	(Retired on 1 April 2022)
Datuk Haji Rusdin Bin Riman (Deputy Chairman)	(Appointed on 16 March 2022, Re-designated as Deputy Chairman on 1 June 2022)
Tuan Haji Mohamed Rifai Bin Mohd Razi	
Paul Chong Thian Soo	
Chee Shok Ting	(Retired on 25 September 2022)
Abdul Aziz Bin Zainal Abidin	(Appointed on 15 April 2022)

SECRETARIES

Leong Pang Cheung	(Retired on 30 June 2022)
K. Jayavathani A/P Kanagaratnam	(Appointed on 5 January 2022)

REGISTERED OFFICE

7th Floor, Wisma Perkasa, Jalan Gaya,
88845 Kota Kinabalu,
Sabah.

PRINCIPAL PLACE OF BUSINESS

6th, 9th and 10th Floors,
Menara Cosway, Plaza Berjaya,
No. 12, Jalan Imbi,
55100 Kuala Lumpur.

DOMICILE : MALAYSIA
AUDITORS

Messrs Ernst & Young PLT (Chartered Accountants)
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur.

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

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

The principal activities of the subsidiaries, which are wholesale unit trust funds, are as disclosed in Note 5(c) to the financial statements.

There has been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the year ended 31 December 2022 are as follows:

	Group RM	Company RM
Net profit for the year	<u>(8,806,945)</u>	<u>(6,843,452)</u>
Attributable to:		
Equity holders of the Company	(8,885,151)	
Non-controlling interest	<u>78,206</u>	
	<u>(8,806,945)</u>	

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.

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DIVIDENDS

The amount of dividends declared and paid by the Company since the end of the previous financial year is as follows:

Company
RM

In respect of financial year ended 31 December 2021 and as reported in the Director's report of that year:

Final single tier dividend of 7.1% on 100,000,000 ordinary shares declared and paid on 8 July 2022.

7,100,001

INSURANCE CONTRACT LIABILITIES

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation methods prescribed in the Risk Based Capital ("RBC") Framework for Insurers issued by Bank Negara Malaysia ("BNM").

IMPAIRED DEBTS

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

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

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CURRENT ASSETS

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to their recoverable amount.

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

VALUATION METHODS

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

CONTINGENT LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and 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 Group and of the Company.

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SIGNIFICANT EVENTS

There were no significant events which have occurred during the financial year.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year that would require adjustment or disclosure in the financial statements.

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 Group and of the Company which would render any amount stated in the financial statements misleading or inappropriate.

ITEMS OF AN UNUSUAL NATURE

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

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

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the financial year.

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DIRECTORS AND THEIR INTERESTS IN SHARES

Directors who served since the beginning of the financial year to the date of this report are:

Tan Sri Sukarti Bin Wakiman (Chairman)	
Datuk Wong Poh Loon (Deputy Chairman)	(Retired on 1 April 2022)
Datuk Haji Rusdin Bin Riman (Deputy Chairman)	(Re-designated as Deputy Chairman on 1 June 2022)
Tuan Haji Mohamed Rifai Bin Mohd Razi	
Paul Chong Thian Soo	
Chee Shok Ting	(Retired on 25 September 2022)
Abdul Aziz Bin Zainal Abidin	(Appointed on 15 April 2022)

Datuk Wong Poh Loon and Chee Shok Ting retire pursuant to Article 76 and 81B of the constitution of the Company at the next Annual General Meeting of the Company, and being eligible, offers themselves for re-election.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments and fees received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Notes 23(a), 23(b) and 28(b) to the financial statements) by reason of a contract made by the Company or a related company with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the year to which the Group and the Company were a party, whereby the Directors of the Company might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, the Company has maintained a Directors and Officers Liability (“D&O”) Insurance for the Directors and the Officers of the Company with premium paid of approximately RM33,000 for an aggregate limit of RM25 million against any legal liability incurred by the Directors and Officers while discharging their duties. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's (“BNM”) Policy Document on Corporate Governance as disclosed from pages 7 to 22.

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AUDITORS AND AUDITORS' REMUNERATION

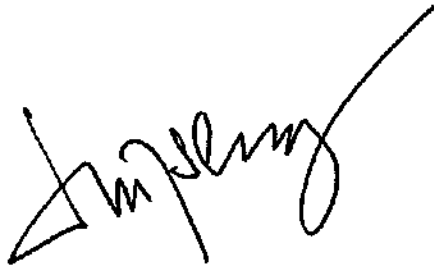
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 27 March 2023



TAN SRI SUKARTI BIN WAKIMAN
Chairman



PAUL CHONG THIAN SOO
Director

PROGRESSIVE INSURANCE BHD
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CORPORATE GOVERNANCE STATEMENT

BOARD RESPONSIBILITY AND OVERSIGHT

The Board has the full responsibility of leading the Group and the Company and providing strategic direction in terms of setting corporate objectives and business strategies for the Group and the Company and discharges its responsibility through compliance with the prescriptive requirements of and adopting practice standards advocated in BNM/RH/PD 029-9: Corporate Governance.

Board Meetings

Fifteen (15) Board meetings were held during the year and the number of meetings attended by each Director were as follows:

Director		No. of Board Meetings Attended	Attendance at AGM
Tan Sri Sukarti Bin Wakiman	Chairman	15/15	Yes
	Non-executive (Independent)		
Datuk Wong Poh Loon (Retired on 1 April 2022)	Deputy Chairman	3/3	No
	Non-executive (Independent)		
Datuk Haji Rusdin@Musidi Bin Riman (Appointed on 16 March 2022, redesignated as Deputy Chairman on 1 June 2022)	Deputy Chairman	11/11	Yes
	Non-executive		
Tuan Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	14/14	Yes
Paul Chong Thian Soo	Non-executive (Independent)	15/15	Yes
Chee Shok Ting (Retired on 25 September 2022)	Non-executive	11/11	Yes
Abdul Aziz Bin Zainal Abidin (Appointed on 15 April 2022)	Non-executive (Independent)	10/10	Yes

As at the date of this report, the Board comprises five (5) non-executive Directors, of which four (4) are independent. The Board consists of non-executive Directors which have enhanced the Board's objectivity and enabled it to effectively discharge its oversight function.

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board Meetings (Cont'd.)

The Board members are from diverse backgrounds with a mix of financial, technical, legal and business expertise and have the necessary depth of experience to deliberate on issues regarding strategy, monitoring of performance, succession and resources planning, formalisation of policies on issues specifically reserved for its decision and ensuring that the Group's and the Company's internal controls and procedures are adequate. All Directors comply with the prescribed limit of other directorships held.

The position of the Chairman of the Board without executive responsibilities has ensured a balance of power and authority. The non-executive Directors are independent of management and do not participate in the day to day management of the Group and the Company.

The independent Directors fulfil their roles of corporate accountability and the following Committees were established to assist the Board in the discharge of its duties. The activities and members of the relevant Committees are as follows:

Audit Committee

The activities of the Audit Committee ("AC") are governed by its terms of reference that were approved by the Board. The Committee, comprising non-executive members, meets regularly and a total of four (4) meetings were held during the year ended 31 December 2022. The Committee reviews the Annual Financial Statements of the Group and the Company tabled to the Board for approval and the adequacy and effectiveness of internal control systems and performs any other functions as advised by the Board.

The Internal Audit Department ("IAD") assists the AC in the discharge of its duties and responsibilities and, amongst others, reports on the Group's management, records, accounting policies and controls.

Note: The IAD's findings and recommendations are communicated to the Board. During the year, thirteen (13) audit reports were presented to the AC in 2022.

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Audit Committee (Cont'd.)

Members		Meetings Attended
Paul Chong Thian Soo	Chairman	4/4
	Non-executive (Independent)	
Tuan Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Datuk Haji Rusdin@Musidi Bin Riman	Non-executive	1/1
(Appointed on 25 September 2022)		
Chee Shok Ting	Non-executive	3/3
(Retired on 25 September 2022)		

Risk Management Committee

The Committee assists the Board in the management of major and material risks including addressing new risks that can affect the financial condition and performance of the Group and the Company. The Committee continues to enhance its enterprise-wide risk management framework to identify, evaluate and manage risks by identifying all major risks in critical areas of operations, assessing the possible impact of significant exposures and the risk mitigation measures taken.

Members		Meetings Attended
Tuan Haji Mohamed Rifai Bin Mohd Razi	Chairman	5/5
	Non-executive (Independent)	
Datuk Wong Poh Loon	Non-executive (Independent)	1/1
(Retired on 1 April 2022)		
Paul Chong Thian Soo	Non-executive (Independent)	5/5
Datuk Haji Rusdin@Musidi Bin Riman	Non-executive	4/4
(Appointed on 8 April 2022)		
Abdul Aziz Bin Zainal Abidin	Non-executive (Independent)	4/4
(Appointed on 8 April 2022)		

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Remuneration Committee

The Committee, comprising non-executive members, reviews the remuneration package and other benefits applicable to the executive Director, management and staff on an annual basis and makes recommendations to the Board. The Committee is working towards achieving a remuneration package linking reward to performance and the level of responsibilities undertaken.

Members		Meetings Attended
Paul Chong Thian Soo	Chairman	2/2
	Non-executive (Independent)	
Datuk Wong Poh Loon (Retired on 1 April 2022)	Non-executive (Independent)	1/1
Tuan Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	2/2
Chee Shok Ting (Retired on 25 September 2022)	Non-executive	1/1
Abdul Aziz Bin Zainal Abidin (Appointed on 25 September 2022)	Non-executive (Independent)	-

Nomination Committee

The Committee has responsibilities of assessing and recommending nominees for directorship including re-appointments and establishing a mechanism for formal assessment on the effectiveness and contribution of the Board as a whole, Board Committees, individual Directors and the performance of the Chief Executive Officer. The Committee reviews and recommends these to the Board. The Committee ensures the adequacy of balance between executives and non-executives and overall composition of the Board and Board Committees including appropriate size, required mix of skills, experience and core competencies. The Committee members are from various academic backgrounds and with extensive experience in both the government and private sectors.

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Nomination Committee (Cont'd.)

Members		Meetings Attended
Datuk Wong Poh Loon (Retired on 1 April 2022)	Chairman Non-executive (Independent)	3/3
Tuan Haji Mohamed Rifai Bin Mohd Razi (Re-designated on 8 April 2022)	Chairman Non-executive (Independent)	9/9
Paul Chong Thian Soo	Non-executive (Independent)	9/9
Chee Shok Ting (Retired on 25 September 2022)	Non-executive	6/6
Datuk Haji Rusdin@Musidi Bin Riman (Appointed on 8 April 2022)	Non-executive	5/5
Abdul Aziz Bin Zainal Abidin (Appointed on 8 April 2022)	Non-executive (Independent)	5/5

Investment Committee

The Committee reviewed and recommended investment strategies and policies for the Board's approval and met quarterly and other times as required. The Committee monitored the investment performance of the Group and the Company against the strategic plan, ensured investments were in accordance with the approved internal policies, investment risk management processes were in place and reported to the Board on any specific transactions requiring the awareness and sanction of the Board.

Members		Meetings Attended
Chee Shok Ting (Retired on 25 September 2022)	Chairman Non-executive	1/1
Paul Chong Thian Soo (Re-designated as Chairman on 14 November 2022)	Chairman Non-executive (Independent)	3/3

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Investment Committee (Cont'd.)

Members	Meetings Attended
Datuk Haji Rusdin@Musidi Bin Riman (Appointed as Chairman on 8 April 2022) (Re-designated as member on 14 November 2022)	3/3
Datuk Wong Poh Loon (Retired on 1 April 2022)	-
Tuan Haji Mohamed Rifai Bin Mohd Razi	3/3
Abdul Aziz Bin Zainal Abidin (Appointed on 25 September 2022)	2/2

MANAGEMENT ACCOUNTABILITY

The Group and the Company have in place a documented and updated organisation structure with clear reporting lines and job descriptions for management and executive employees. In addition, there are also well documented policies and procedures in the operating manuals for all major functions within the Group and the Company. Monthly executive committee and departmental/branch meetings are held for better communication amongst the senior management team and employees on the affairs and operations of the Group and the Company.

CORPORATE INDEPENDENCE

Related party transactions, if any, are disclosed to the Board and these transactions are on terms and conditions no more favourable than those available on similar transactions to the Group's and the Company's other customers.

PUBLIC ACCOUNTABILITY

The Group and the Company upholds the principles of good business practices and ensures that dealings with the public are conducted fairly, honestly, and professionally. The Group and the Company has in place a system to handle public complaints and grievances, and the information on the avenue for further recourse against unfair practices is disclosed to the insured.

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CORPORATE GOVERNANCE

The Board of Directors fully appreciate the importance of and is committed to the principles of good corporate governance and is responsible to ensure that the highest standards of corporate governance are observed and that the affairs of the Group and of the Company are conducted with professionalism and with the objective of safeguarding policyholders' interests, shareholders' investments and meeting the obligations owed to other stakeholders.

The Company has complied with the prescriptive requirements of BNM/RH/PD 029-9: Corporate Governance issued by Bank Negara Malaysia ("BNM") and adopted management practices that are consistent with the best practise standards advocated in the Policy Document.

Board of Directors' Profile

Tan Sri Sukarti Bin Wakiman (Chairman)

- Appointed to the Board and as Chairman of Progressive Insurance Bhd on 11 May 2021.
- Holds a Bachelor of Arts Honours Degree in Anthropology and Sociology from the University of Malaya.
- A career in Sabah Civil Service since July 1977 as Manpower Officer with the Ministry of Manpower and Environmental Development, Sabah.
- After 41 years of service with the Sabah Civil Service, he retired as the 8th Secretary of State of Sabah in July 2018. He held the post of Sabah State Secretary for 11 years.
- Prior to the aforesaid position, he held various distinguished positions namely, the Permanent Secretary (Head of Ministry) in three Sabah State Ministries (Ministry of Infrastructure, Ministry of Rural Development and Ministry of Agriculture and Fishery) and the Director of Public Service Department Sabah.

Datuk Wong Poh Loon (Deputy Chairman)

(Retired effective 1st April 2022)

- Appointed to the Board and as Chairman of Progressive Insurance Bhd on 2 April 2019 and re-designated as Deputy Chairman on 11 May 2021.
- Holds a Bachelor of Arts (Economics) Honours Degree from the University of Malaya.
- Holds a Master of Business Administration ("MBA") from the Heriot Watt University at Edinburgh Scotland.
- A career civil servant and served the State Government of Sabah for 36 years from 1976 to 2012 in various senior positions in State Ministry of Finance and Chief Minister's Department of Sabah before her retirement as the Deputy Director, State Economic Planning Unit.

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CORPORATE GOVERNANCE (CONT'D.)

Board of Directors' Profile (Cont'd.)

Datuk Haji Rusdin Bin Riman

- Appointed to the Board of Progressive Insurance Bhd on 16 March 2022.
- Re-designated as Deputy Chairman of Progressive Insurance Bhd effective 1st June 2022.
- Holds a Master Degree in Business Administration from Edith Cowan University, Australia.
- Professional member of Asean CPA, CPFA, FCPA & MIA.
- Held various senior capacities and was the State Treasurer of Sabah Ministry of Finance.
- Retired from civil service on 30th June 2022 as Permanent Secretary of the Sabah Ministry of Finance and currently sits on the Board of Various State Government organisations including Sabah Development Bank Berhad, Sabah Air Aviation Sdn. Bhd., Warisan Harta Sdn. Bhd. and Sabah Energy Corporation Sdn. Bhd, Sabah Oil & Gas Development Corporation and Saham Sabah Bhd.

Tuan Haji Mohamed Rifai Bin Mohd Razi

- Appointed to the Board of Progressive Insurance Bhd on 28 May 2014.
- Holds a Bachelor of Science (Physics) Degree from Universiti Kebangsaan Malaysia.
- Holds a MBA from University Tun Abdul Razak, Malaysia.
- An Associate of the Chartered Insurance Institute, UK.
- An Associate of Risk Management from the American Institute of Chartered Property Casualty Underwriter, USA.
- Prior to joining the Company, he was the Managing Director/Chief Executive Officer of IIB Insurance Brokers Sdn Bhd, a State-owned company under the SEDCO Group.

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CORPORATE GOVERNANCE (CONT'D.)

Board of Directors' Profile (Cont'd.)

Paul Chong Thian Soo

- Appointed to the Board of Progressive Insurance Bhd on 13 March 2019.
- Holds a MBA Degree from the Charles Sturt University at Australia.
- Professional member of the Malaysian Institute of Accountants (“MIA”), Malaysian Institute of Corporate Governance (“MICG”) and The Institute of Internal Auditors Malaysia (“IIAM”).
- Fellow member of the Association of Chartered Certified Accountants (“ACCA”).
- Served previously with Messrs Ernst & Young for 15 years, 3 years in the investment arm of the Sabah Foundation and more than 8 years as a freelance Corporate Advisor.

Chee Shok Ting

(Retired effective 25th September 2022)

- Appointed to the Board of Progressive Insurance Bhd on 26 September 2019.
- Holds a Bachelor of Economic (Honors) Degree from the University Kebangsaan Malaysia.
- Served the Sabah State Government as the Assistant Director in the State Economic Planning Unit and promoted as Principal Assistant Director and headed the Infrastructure and Utility Section before transferred to Sabah State Ministry of Finance.
- Presently serving Sabah State Ministry of Finance as Head of Finance and Economy Division.

Abdul Aziz Bin Zainal Abidin

- Appointed to the Board of Progressive Insurance Bhd on 15th April 2022.
- Holds a Certificate of Insurance – Graduate MARA Institute of Technology (ITM) (1980)
- Holds a Fellowship of the Malaysian Insurance Institute (FMII) in the insurance industry.
- He has more than 35 years of work experience in various Insurance Company and his last post was as former Chief Executive Officer and member of the Board of Director of Sime Darby Lockton Insurance Broker handling non-life and takaful insurance)
- Effective January 2020 he has been appointed as an Independent Director of VSTECS Berhad.

Trainings and Education

The Company ensures that the Directors are equipped with the relevant skills and updated knowledge to exert their roles in Board and Board Committees. Continuous professional development is provided to the Directors time to time by the Committees. The Company sends the Directors to talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry.

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CORPORATE GOVERNANCE (CONT'D.)

Board of Directors' Profile (Cont'd.)

Trainings attended:

During the year, the following were among the trainings attended by the Directors:-

- Kursus Ahli Lembaga Pengarah Sesi 1/2022 (23 May 2022)
- Kursus Ahli Lembaga Pengarah Sesi 2/2022 (26-27 July 2022)
- Cyber security Awareness Training
- Anti-Money Laundering
- Climate Change: Impact on Insurance Companies & Role of the Board
- FIDE Forum's Engagement Session on 'Climate Governance: A Standing Item in Board Agenda'
- ESG Reporting
- FIDE Core Program

FINANCIAL REPORTING

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The Board receives regular financial and management reports and senior management receives monthly management reports to enable them to effectively monitor the performance and goals of the Group and the Company.

The Board receives regular financial and management reports and senior management receives monthly management reports to enable them to effectively monitor the performance and goals of the Company.

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INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

The Directors acknowledge their responsibility over both the system of internal controls maintained by the Group and the Company and in reviewing its effectiveness. The scope of internal controls cover not only financial but also operational and compliance controls as well as business risk management.

The business risk management, other than insurance operations, includes treaty reinsurance programmes and half yearly stress tests to detect possible sources of vulnerability.

The Group and the Company continues to enhance its enterprise-wide risk management framework to proactively identify and manage risk effectively in order to achieve the Company's business objectives.

There are procedures in place for both internal and external auditors to report their findings and recommendations to the Board, the Audit Committee and Management. All aspects of the systems of internal controls are subject to regular review to ensure their adequacy and effectiveness.

REMUNERATION POLICY

The policy is applicable to all levels of employees in the Company. The Remuneration Policy sets out the policies relating to the remuneration of employees.

The Company's remuneration philosophy is to:

- (1) Attract and retain competent employees to contribute to improve the performance and value of the Company.
- (2) Endeavour to encourage employees to perform their best by creating a good working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Company.
- (3) Provide a competitive total remuneration package for employees by benchmarking to the market and providing incentives which are commensurate with performance.
- (4) Align the best interests of the employees with the other stakeholders as the Group and the Company believes that the long term success of the Company is directly linked to the calibre of its employees.

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy for Members of Board of Directors

(1) Fixed Remuneration

With the exception of the Chairman and Deputy Chairman as described below, Board members are currently not paid any fixed remuneration. However, all Board members are paid an attendance allowance per attendance (RM1,500 for Chairman and RM1,000 for Committee member) for each and every Board meeting or committee meeting that they attended.

(a) Chairman of the Board:

- (i)** The Chairman of the Board is paid a fixed monthly allowance, currently at the rate of RM6,000 per month.
- (ii)** The Chairman of the Board is also provided a fully-maintained company car with driver.

(b) Deputy Chairman of the Board:

- (i)** The Deputy Chairman of the Board is paid a fixed monthly allowance, currently at the rate of RM4,000 per month.
- (ii)** The Deputy Chairman of the Board is also provided a fully-maintained company car with driver.

(2) Reimbursement of expenses

Expenses such as travel and accommodation relating to Board meetings and relevant trainings will be reimbursed in accordance with the Company's current policy.

(3) Annual financial rewards

The shareholders of the Company may, at their total and absolute discretion, give a once-off financial reward to members of the Board of Directors during the Annual General Meeting.

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy For Employees

(1) The basis of employees remuneration

In determining a holistic approach to employee remuneration, the Company takes into consideration the following:

- The strategy and business objectives of the Company;
- Overall business performance and alignment to shareholder interests;
- The need to attract and retain skilled, qualified and competent employees to contribute to improvement of the performance and value of the Company;
- The prevailing job market conditions;
- Ensure that all employees are remunerated fairly;
- Ensuring that employees share in the success of the Company;
- Ensure that the correct governance frameworks are applied to all decisions and practices relating to remuneration throughout the Company; and
- The prevailing rate of the Consumer Price Index (“CPI”).

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy For Employees (Cont'd.)

(2) Short-term and variable incentives

Short-term incentives comprise the following:

(a) Contractual Bonus

All permanent and confirmed employees are eligible for Contractual Bonus. The Contractual Bonus is payable in December each year. Employees whose employment period is less than 12 months will be paid on a pro-rated basis.

(b) Performance Bonus

All permanent and confirmed employees are eligible to be considered for Performance Bonus. The quantum of Performance Bonus depends on the result of his/her annual appraisal and performance during the financial year.

(c) Annual salary increment

All permanent and confirmed employees are eligible for consideration for annual salary increment. The quantum of salary increment depends on the result of his/her annual appraisal and performance during the financial year.

(d) Promotion and upgrading

All permanent and confirmed employees are eligible for promotion and upgrading, depending on the result of their annual appraisal and also their individual performance during the year. Employees who are promoted or upgraded are normally given additional salary increment on top of their annual salary increment.

There are no other forms of variable remuneration offered other than cash.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

REMUNERATION POLICY (CONT'D.)

(3) Long-term incentives (“LTI”)

(a) Additional KWSP contribution by the Company

All employees of the Company are required by law to be a member/contributor of Kumpulan Wang Simpanan Pekerja (“KWSP”). Apart from KWSP, the Company do not provide any retirement benefits nor long-term performance remuneration to its employees. However, employees who joined the Company before 10 February 2020, the Company pays an additional amount of contribution (“excess contribution”) over and above the statutory rates to the employee’s KWSP accounts according to the number of years of service. The excess contribution is designed to keep and retain employees in the Company and ranges from 1% to 6% on top of the statutory rates. Employees who joined the Company after 10 February 2020 are not eligible for the excess contribution. The Company will only pay the prevailing statutory rates.

Governing structure of the remuneration policy

(1) Management level

As part of the business planning and operational budgeting cycle, the annual remuneration increases must be budgeted for. It shall be the responsibility of management to prepare the budget and to prepare the proposal for increase in employees' remuneration and incentives, to be tabled to the Remuneration Committee.

(2) Remuneration Committee

The decision and deliberation of the Remuneration Committee shall be tabled by way of recommendation to the Board for consideration and approval. The Remuneration Committee shall take into account the Remuneration Policy and any other relevant documents such as the Committee’s Terms of Reference when considering matters before it.

The Remuneration Committee has full discretion in determining the appropriate remuneration policies and practices for the Company including, but not limited to, annual remuneration increases, performance bonuses and other incentives.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

REMUNERATION POLICY (CONT'D.)

Governing structure of the remuneration policy (Cont'd.)

(3) Board of Directors

The Board of Directors, after taking into consideration proposals and recommendations from the Remuneration Committee, shall have the final decision on matters regarding remuneration policies in the Company.

Variation or Amendment to the Remuneration Policy

The Remuneration Policy is subject to review annually. However, any amendment to the Remuneration Policy must first be approved by the Remuneration Committee before the amendment is effective.

Senior Management

All Executive Committee (“EXCO”) members are defined as senior management, of which there are 21 officers in total. Senior Management received contractual bonuses for the financial year ended 31 December 2022 amounting to approximately RM875,198.

Total value of remuneration awards for Senior Management in 2022

	RM
Fixed remuneration	
• Cash-based	3,634,447
Variable remuneration	
• Cash-based	875,198
• Other	653,898
	<u>1,529,096</u>

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PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

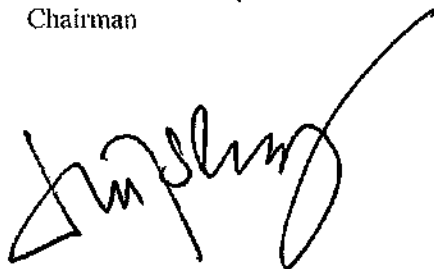
STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Tan Sri Sukarti Bin Wakiman and Paul Chong Thian Soo, being two of the Directors of PROGRESSIVE INSURANCE BHD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 29 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2022 and of their results and their cash flows for the year then ended.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 27 March 2023



TAN SRI SUKARTI BIN WAKIMAN
Chairman



PAUL CHONG THIAN SOO
Director

197401001891 (19002-P)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

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

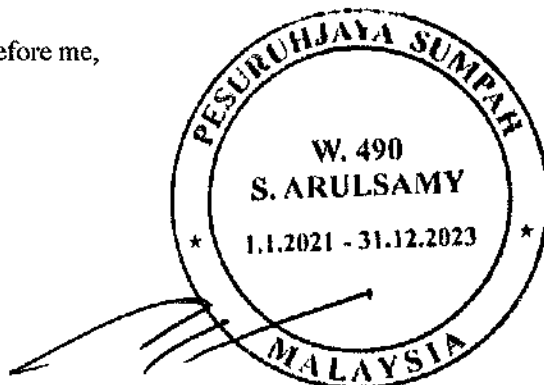
I, Kok Yew Kong, being the officer primarily responsible for the financial management of PROGRESSIVE INSURANCE BHD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 29 to 157 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovementioned **KOK YEW KONG**
at Kuala Lumpur in the Federal Territory
on 27 March 2023



KOK YEW KONG
MIA No. 13223

Before me,



16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur



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Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
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+603 2095 9076
+603 2095 9078
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197401001891 (19002-P)

**Independent auditors' report to the members of
Progressive Insurance Bhd
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Progressive Insurance Bhd, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 157.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

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

197401001891 (19002-P)

**Independent auditors' report to the members of
Progressive Insurance Bhd
(Incorporated in Malaysia)**

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

In connection with our audit of the financial statements of the Group and 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 Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 Group or 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 Group and 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.

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**Independent auditors' report to the members of
Progressive Insurance Bhd (Cont'd.)
(Incorporated in Malaysia)**

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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Independent auditors' report to the members of
Progressive Insurance Bhd (Cont'd.)
(Incorporated in Malaysia)

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

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.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 4(c) to the financial statements.

Other matters

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

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

Kuala Lumpur, Malaysia
27 March 2023

Yeo Beng Yean
No. 03013/10/2024
Chartered Accountant

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
ASSETS					
Property and equipment	3	17,648,912	16,997,551	17,648,912	16,997,551
Right-of-use assets	4	2,796,619	3,170,997	2,796,619	3,170,997
Investments:		256,765,568	282,069,165	267,327,947	287,931,691
- Available-for-sale (“AFS”) financial assets	5(a)	70,113,877	76,983,687	187,739,631	205,976,797
- Financial assets at fair value through profit or loss (“FVTPL”)	5(b)	186,651,691	205,085,478	79,588,316	81,954,894
Reinsurance assets	6	142,957,527	143,340,578	142,957,527	143,340,578
Loans and other receivables	7	123,682,213	134,079,398	109,440,405	124,553,353
Deferred tax assets	8	3,651,175	-	3,651,175	-
Tax recoverable		4,017,526	541,605	4,017,526	541,605
Insurance receivables	9	29,613,077	21,620,371	29,613,077	21,620,371
Cash and bank balances		6,972,384	9,013,674	6,163,011	8,252,525
TOTAL ASSETS		588,105,001	610,833,339	583,616,199	606,408,671
EQUITY AND LIABILITIES					
Share capital	10	100,000,000	100,000,000	100,000,000	100,000,000
Reserves	11	178,306,655	194,528,304	178,245,871	194,598,050
		278,306,655	294,528,304	278,245,871	294,598,050
Non-controlling interests		4,368,531	4,416,003	-	-
TOTAL EQUITY		282,675,186	298,944,307	278,245,871	294,598,050

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D.)

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
Insurance contract					
liabilities	12	238,725,638	246,245,146	238,725,638	246,245,146
Deferred tax liabilities	8	-	266,728	-	266,728
Lease liabilities	13	3,296,406	3,650,862	3,296,406	3,650,862
Other financial liabilities	14	26,860,703	28,108,348	26,860,703	28,108,348
Insurance payables	15	28,257,447	22,478,161	28,257,447	22,478,161
Other payables	16	8,289,621	11,139,787	8,230,134	11,061,376
TOTAL LIABILITIES		305,429,815	311,889,032	305,370,328	311,810,621
TOTAL EQUITY AND					
LIABILITIES		588,105,001	610,833,339	583,616,199	606,408,671

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
Gross written premiums	12(ii)	125,102,446	123,639,865	125,102,446	123,639,865
Change in unearned premiums		(3,181,773)	4,127,910	(3,181,773)	4,127,910
Gross earned premiums	12(ii)	<u>121,920,673</u>	<u>127,767,775</u>	<u>121,920,673</u>	<u>127,767,775</u>
Gross written premiums ceded to reinsurers	12(ii)	(77,881,504)	(74,160,422)	(77,881,504)	(74,160,422)
Change in unearned premiums		<u>3,512,227</u>	<u>(2,522,811)</u>	<u>3,512,227</u>	<u>(2,522,811)</u>
Earned premiums ceded to reinsurers	12(ii)	<u>(74,369,277)</u>	<u>(76,683,233)</u>	<u>(74,369,277)</u>	<u>(76,683,233)</u>
Net earned premiums		<u>47,551,396</u>	<u>51,084,542</u>	<u>47,551,396</u>	<u>51,084,542</u>
Investment income, net	18	10,065,072	10,643,186	8,821,995	9,521,379
Realised (losses)/gains	19	(8,276,531)	12,152,710	(8,094,731)	12,021,453
Fair value losses	20	(4,361,933)	(13,381,682)	(1,738,366)	(8,241,890)
Commission income		14,354,843	13,318,750	14,354,843	13,318,750
Other operating income/(expenses)	21	<u>459,215</u>	<u>(434,650)</u>	<u>459,215</u>	<u>(434,650)</u>
Other income		<u>12,240,666</u>	<u>22,298,314</u>	<u>13,802,956</u>	<u>26,185,042</u>
Gross claims paid	22	(57,263,917)	(42,407,360)	(57,263,917)	(42,407,360)
Claims ceded to reinsurers	22	25,009,912	18,572,270	25,009,912	18,572,270
Gross change in contract liabilities	22	10,701,281	(13,661,001)	10,701,281	(13,661,001)
Change in contract liabilities ceded to reinsurers	22	<u>(3,895,277)</u>	<u>19,651,047</u>	<u>(3,895,277)</u>	<u>19,651,047</u>
Net claims incurred	22	<u>(25,448,001)</u>	<u>(17,845,044)</u>	<u>(25,448,001)</u>	<u>(17,845,044)</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
Commission expenses		(15,794,581)	(13,187,073)	(15,794,581)	(13,187,073)
Management expenses					
- General fund	23	(31,822,270)	(30,206,760)	(31,421,067)	(29,786,197)
- Shareholders' fund		(52,979)	321,352	(52,979)	321,352
Other expenses		<u>(47,669,830)</u>	<u>(43,072,481)</u>	<u>(47,268,627)</u>	<u>(42,651,918)</u>
(Loss)/profit before taxation		(13,325,769)	12,465,331	(11,362,276)	16,772,622
Taxation	24	<u>4,518,824</u>	<u>(2,579,268)</u>	<u>4,518,824</u>	<u>(2,579,268)</u>
Net (loss)/profit for the year		<u>(8,806,945)</u>	<u>9,886,063</u>	<u>(6,843,452)</u>	<u>14,193,354</u>
Earnings per ordinary share (sen) - basic and diluted	25	<u>(8.8)</u>	<u>9.9</u>		
Net (loss)/profit for the year attributable to:					
Equity holders of the Company		(8,885,151)	9,886,257		
Non-controlling interests		<u>78,206</u>	<u>(194)</u>		
		<u>(8,806,945)</u>	<u>9,886,063</u>		

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
Net (loss)/profit for the year		(8,806,945)	9,886,063	(6,843,452)	14,193,354
Other comprehensive (loss)/income					
<u>Items that may be reclassified to</u> <u>income statements in</u> <u>subsequent periods:</u>					
<i>Fair value changes on AFS</i> <i>financial assets:</i>					
- Losses on fair value changes		(110,091)	(4,074,147)	(2,282,320)	(8,379,078)
- Transferred to profit or loss upon disposal	19	(126,406)	-	(126,406)	-
- Deferred tax	8	-	-	-	-
		<u>(236,497)</u>	<u>(4,074,147)</u>	<u>(2,408,726)</u>	<u>(8,379,078)</u>
<u>Items that will not be reclassified to</u> <u>income statements in</u> <u>subsequent periods:</u>					
<i>Revaluation of building:</i>					
- Revaluation surplus adjustment	3	-	1,427,600	-	1,427,600
- Deferred tax	8	-	(342,624)	-	(342,624)
		<u>-</u>	<u>1,084,976</u>	<u>-</u>	<u>1,084,976</u>
Other comprehensive loss for the year, net of tax		<u>(236,497)</u>	<u>(2,989,171)</u>	<u>(2,408,726)</u>	<u>(7,294,102)</u>
Total comprehensive (loss)/income for the year		<u>(9,043,442)</u>	<u>6,896,892</u>	<u>(9,252,178)</u>	<u>6,899,252</u>

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Total comprehensive (loss)/income				
for the year attributable to:				
Equity holders of the Company	(9,121,648)	6,897,086	(9,252,178)	6,899,252
Non-controlling interests	78,206	(194)	-	-
	<u>(9,043,442)</u>	<u>6,896,892</u>	<u>(9,252,178)</u>	<u>6,899,252</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Group

	<div style="display: flex; justify-content: space-between; align-items: center;"> ← Attributable to owners of the Company → </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> ← Non-distributable Distributable → </div>						
	Share capital RM (Note 10)	Property revaluation reserve RM (Note 11)	AFS reserve RM (Note 11)	Retained earnings RM (Note 11)	Total RM	Non- controlling interests RM	Total equity RM
At 1 January 2021	100,000,000	6,159,332	2,635,457	186,466,429	295,261,218	4,416,992	299,678,210
Total comprehensive income for the year	-	1,084,976	(4,074,147)	9,886,257	6,897,086	(194)	6,896,892
Dividend paid during the year (Note 26)	-	-	-	(7,630,000)	(7,630,000)	-	(7,630,000)
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(795)	(795)
At 31 December 2021	<u>100,000,000</u>	<u>7,244,308</u>	<u>(1,438,690)</u>	<u>188,722,686</u>	<u>294,528,304</u>	<u>4,416,003</u>	<u>298,944,307</u>
At 1 January 2022	100,000,000	7,244,308	(1,438,690)	188,722,686	294,528,304	4,416,003	298,944,307
Total comprehensive income for the year	-	-	(236,497)	(8,885,151)	(9,121,648)	78,206	(9,043,442)
Dividend paid during the year (Note 26)	-	-	-	(7,100,001)	(7,100,001)	-	(7,100,001)
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(125,678)	(125,678)
At 31 December 2022	<u>100,000,000</u>	<u>7,244,308</u>	<u>(1,675,187)</u>	<u>172,737,534</u>	<u>278,306,655</u>	<u>4,368,531</u>	<u>282,675,186</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

Company

	<div style="display: flex; justify-content: space-between; align-items: center;"> ← Attributable to owners of the Company → </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> ← Non-distributable → Distributable </div>				
	Share capital RM (Note 10)	Property revaluation reserve RM (Note 11)	AFS reserve RM (Note 11)	Retained earnings RM (Note 11)	Total equity RM
At 1 January 2021	100,000,000	6,159,332	10,943,551	178,225,915	295,328,798
Total comprehensive income for the year	-	1,084,976	(8,379,078)	14,193,354	6,899,252
Dividend paid during the year (Note 26)	-	-	-	(7,630,000)	(7,630,000)
At 31 December 2021	<u>100,000,000</u>	<u>7,244,308</u>	<u>2,564,473</u>	<u>184,789,269</u>	<u>294,598,050</u>
At 1 January 2022	100,000,000	7,244,308	2,564,473	184,789,269	294,598,050
Total comprehensive income for the year	-	-	(2,408,726)	(6,843,452)	(9,252,178)
Dividend paid during the year (Note 26)	-	-	-	(7,100,001)	(7,100,001)
At 31 December 2022	<u>100,000,000</u>	<u>7,244,308</u>	<u>155,747</u>	<u>170,845,816</u>	<u>278,245,871</u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Note	2022 RM	2021 RM
Cash flows from operating activities			
(Loss)/profit before taxation		(13,325,769)	12,465,331
<u>Adjustments for:</u>			
Interest income	18	(6,760,885)	(6,660,051)
Dividend income	18	(2,890,645)	(2,004,197)
Realised losses	19	8,276,531	(12,152,710)
Fair value losses	20	4,361,933	13,381,682
Purchase of AFS financial assets		6,381,326	(3,685,360)
Purchase of FVTPL financial assets		(99,950,114)	(94,171,718)
Proceeds from disposal of FVTPL financial assets		105,575,394	111,690,458
Interest received		1,710,281	6,744,652
Dividends received		2,890,645	2,004,197
Interest expense on lease liabilities	23	167,815	183,058
Depreciation of property and equipment	23	1,558,650	1,128,266
Depreciation of right-of-use assets	23	374,378	374,378
Net amortisation of premiums	18	127,423	157,096
Allowance for impairment losses:			
Insurance receivables	23	(2,177,634)	313,518
Other receivables	23	-	148,902
Bad debts written off	23	524,162	-
Recovery of bad debts	23	(17,325)	-
Property and equipment written off		-	-
Gains on disposal of property and equipment	21	(49,278)	-
<u>Changes in working capital:</u>			
Decrease/(increase) in reinsurance assets		383,051	(17,128,236)
Decrease in loans and receivables		3,437,024	2,300,497
(Increase)/decrease in insurance receivables, net of allowance for impairment		(6,321,905)	524,536
Decrease/(increase) in fixed and call deposits		12,305,374	(6,731,702)
(Decrease)/increase in insurance contract liabilities		(7,519,508)	9,533,091
Increase/(decrease) in insurance payables		5,779,286	(17,300)
Decrease in other payables		(4,097,813)	(2,401,967)
Cash generated from operating activities			
carried forward		10,742,397	15,996,421

PROGRESSIVE INSURANCE BHD
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

Group	Note	2022 RM	2021 RM
Cash flows from operating activities (Cont'd.)			
Cash generated from operating activities brought forward		10,742,397	15,996,421
Income tax paid, net		(2,875,000)	(3,382,591)
Net cash generated from operating activities		<u>7,867,397</u>	<u>12,613,830</u>
Cash flows from investing activities			
Proceeds from disposal of property and equipment		124,850	-
Purchase of property and equipment	3	(2,285,583)	(2,704,261)
Net cash used in investing activities		<u>(2,160,733)</u>	<u>(2,704,261)</u>
Cash flows from financing activities			
Payment of lease liabilities	13	(522,271)	(515,856)
Dividends paid to shareholders	26	(7,100,001)	(7,630,000)
Proceeds from cancellation of units in wholesale unit trusts to non-controlling interests		(125,682)	(795)
Net cash used in financing activities		<u>(7,747,954)</u>	<u>(8,146,651)</u>
Net increase/(decrease) in cash and cash equivalents			
		(2,041,290)	1,762,918
Cash and cash equivalents at beginning of year		<u>9,013,674</u>	<u>7,250,756</u>
Cash and cash equivalents at end of year		<u><u>6,972,384</u></u>	<u><u>9,013,674</u></u>

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

Company	Note	2022 RM	2021 RM
Cash flows from operating activities			
Profit before taxation		(11,362,276)	16,772,622
<u>Adjustments for:</u>			
Interest income	18	(1,211,096)	(1,064,925)
Dividend income	18	(2,890,645)	(2,004,197)
Realised losses	19	8,094,731	(12,021,453)
Fair value losses	20	1,738,366	8,241,890
Purchase of AFS financial assets		(5,297,969)	(8,001,583)
Proceeds from disposal of AFS financial assets		21,000,000	-
Purchase of FVTPL financial assets		(77,946,913)	(75,900,718)
Proceeds from disposal of FVTPL financial assets		70,606,801	97,029,258
Interest received		1,172,002	1,149,786
Dividends received		2,890,645	2,004,197
Interest expense on lease liabilities	23	167,815	183,058
Depreciation of property and equipment	23	1,558,650	1,128,266
Depreciation of right-of-use assets	23	374,378	374,378
Allowance for impairment losses:			
Insurance receivables	23	(2,177,634)	313,518
Other receivables	23	-	148,902
Bad debts written off	23	524,162	-
Recovery of bad debts	23	(17,325)	-
Gains on disposal of property and equipment	21	(49,278)	-
<u>Changes in working capital:</u>			
Decrease/(increase) in reinsurance assets		383,051	(17,128,236)
Decrease in loans and receivables		3,185,033	2,300,497
(Increase)/decrease in insurance receivables, net of allowance for impairment		(6,321,905)	524,536
Decrease/(increase) in fixed and call deposits		11,967,007	(4,623,707)
(Decrease)/increase in insurance contract liabilities		(7,519,508)	9,533,091
Increase/(decrease) in insurance payables		5,779,286	(17,300)
Decrease in other payables		(4,078,887)	(2,383,365)
Cash generated from operating activities			
carried forward		10,568,491	16,558,515

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONT'D.)

Company	Note	2022 RM	2021 RM
Cash flows from operating activities (Cont'd.)			
Cash generated from operating activities			
brought forward		10,568,491	16,558,515
Income tax paid, net		(2,875,000)	(3,382,591)
Net cash generated from operating activities		<u>7,693,491</u>	<u>13,175,924</u>
Cash flows from investing activities			
Proceeds from disposal of property and equipment		124,850	-
Purchase of property and equipment	3	(2,285,583)	(2,704,261)
Net cash used in investing activities		<u>(2,160,733)</u>	<u>(2,704,261)</u>
Cash flows from financing activities			
Payment of lease liabilities	13	(522,271)	(515,856)
Dividends paid to shareholders	26	(7,100,001)	(7,630,000)
Net cash used in financing activities		<u>(7,622,272)</u>	<u>(8,145,856)</u>
Net increase/(decrease) in cash and cash equivalents			
		(2,089,514)	2,325,807
Cash and cash equivalents at beginning of year		<u>8,252,525</u>	<u>5,926,718</u>
Cash and cash equivalents at end of year		<u>6,163,011</u>	<u>8,252,525</u>

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

PROGRESSIVE INSURANCE BHD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

1. CORPORATE INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 7th Floor, Wisma Perkasa, Jalan Gaya, 88845 Kota Kinabalu, Sabah and the principal place of business of the Company is located at 6th, 9th and 10th Floors, Menara Cosway, Plaza Berjaya, No. 12, Jalan Imbi, 55100 Kuala Lumpur.

The principal activity of the Group and of the Company is the underwriting of all classes of general insurance business. The principal activities of the subsidiaries, which are wholesale unit trust funds, are as disclosed in Note 5(c). There has been no significant change in the nature of these activities during the financial year.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 March 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of Compliance

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

There are some new pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") that have been adopted by the Group and the Company. The effects arising from the adoption of these pronouncements are disclosed in Note 2.4.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(a) Statement of Compliance (Cont'd.)

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers (“RBC Framework”) issued by BNM as at the reporting date.

The financial statements are presented in Ringgit Malaysia (“RM”), which is the Group's and the Company's functional currency.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the Company's subsidiaries are prepared for the same reporting date as the Company using consistent accounting policies as described in Note 2.2(x) for transactions and events in similar circumstances.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policies in line with the Group's accounting policies.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or, where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies

(a) Premium Income

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

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

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

(b) Claims Expenses

Claims expenses represent amounts incurred by the Group and the Company as a result of an insured event occurring as defined in the terms of each insurance contract. Claims expenses include the amounts paid or payable to the policyholder upon the occurrence of an insured event as well as related expenses. Claims expenses are recognised in profit or loss upon notification of the occurrence of an insured event or events or as a result of a liability adequacy test performed at each reporting date.

(c) Commission Expenses

The cost of acquiring and renewing insurance policies is recognised as incurred and allocated to the periods in which it is probable they give rise to income.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Commission Income

Commission income is derived from reinsurer in the course of ceding premiums to reinsurer and is recognised in profit or loss.

(e) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for all its businesses. Ceded reinsurance arrangements do not relieve the Group and the Company from their obligations to policyholders. For both ceded and assumed reinsurance, premiums and claims are presented on a gross basis.

Reinsurance arrangements entered into by the Group and the Company that meet the classification requirements of insurance contracts as described in Note 2.2(o) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangement.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently if 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 Group and 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 the income statement.

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Other Revenue Recognition

Revenue is recognised at an amount that reflects the consideration to which the Group and the Company expects to be entitled when the performance obligation is satisfied. The following specific recognition criteria must also be met before the revenue is recognised:

(i) Interest Income

Interest income is recognised using the effective interest method.

(ii) Dividend Income

Dividend income is recognised when the Group's and/or the Company's right to receive payment is established.

(g) Income Tax

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

(i) Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Income Tax (Cont'd.)

(ii) Deferred Tax (Cont'd.)

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

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

Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax relating to items recognised outside profit or loss is similarly recognised outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised in profit or loss as incurred. As required by law, the Group and the Company make such contributions to the KWSP.

(i) Property and Equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and 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 profit or loss during the financial period in which they are incurred.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Property and Equipment (Cont'd.)

Subsequent to recognition, property and equipment, except for freehold and leasehold office lots, are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(j).

Freehold and leasehold office lots are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined based on the comparison method of valuation that is undertaken by professionally qualified independent valuers. Revaluations are performed with sufficient regularity with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets are materially different from the fair values.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the property revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Property and Equipment (Cont'd.)

Depreciation of property and equipment is provided on a straight-line basis, to write-off the cost of each asset to its residual value over its estimated useful life as follows:

Freehold and leasehold office lots	50 years
Office equipment	4 - 7 years
Furniture, fixtures and fittings	10 years
Motor vehicles	5 years
Office renovation	5 years
Soft furnishings	5 years

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition is recognised in profit or loss in the year the asset is derecognised.

(j) Impairment of Non-Financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Impairment of Non-Financial Assets (Cont'd.)

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company have become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated.

(i) FVTPL

Financial assets at FVTPL includes financial assets held for trading and financial assets designated as such upon initial recognition at fair value through profit or loss. Financial assets held for trading are financial assets acquired principally for the purpose of selling in the near term or derivatives (including separated embedded derivatives).

Financial assets are designated as financial assets at FVTPL if they fulfill the following conditions:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

PROGRESSIVE INSURANCE BHD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets (Cont'd.)

(i) FVTPL (Cont'd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences and interest and dividend income. Exchange differences and interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenditure or other income or investment income.

(ii) LAR

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. These financial assets are initially recognised at cost, being fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition cost are also included in the cost of the financial assets. Subsequent to initial recognition, LAR are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the LAR are derecognised or impaired, and through the amortisation process.

(iii) AFS Financial Assets

AFS financial assets are financial assets that are designated as available for sale or are not classified in any of the other financial assets categories.

PROGRESSIVE INSURANCE BHD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets (Cont'd.)

(iii) AFS Financial Assets (Cont'd.)

After initial recognition, AFS financial assets are measured at fair value. Any unrealised gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an AFS equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group and the Company commit 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.

(l) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there are any objective evidence that a financial asset is impaired.

PROGRESSIVE INSURANCE BHD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Impairment of Financial Assets (Cont'd.)

(i) Financial Assets Carried at Amortised Cost

To determine whether there are objective evidence that an impairment loss on financial assets have been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as insurance receivables, objective evidence of impairment of insurance receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment 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 impairment loss is recognised in profit or loss.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

Any subsequent reversal of impairment losses are made through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Impairment of Financial Assets (Cont'd.)

(ii) AFS Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increases in fair value, if any, subsequent to impairment loss are recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(m) Insurance Receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective interest method. Receivables are assessed for objective evidence of impairment at each reporting date or as and when there are indications of impairment arising from one or more events.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Insurance Receivables (Cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance receivable's original effective interest rate. The impairment loss is recognised in profit or loss.

Insurance receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Group and the Company have also transferred substantially all risks and rewards of ownership.

(n) Cash and Bank Balances

Cash and bank balances comprise of cash at bank and on hand which are subjected to an insignificant risk of changes in value. Cash and bank balances exclude fixed and call deposits which are held for investment purposes. The Statements of Cash Flows are prepared using the indirect method.

(o) Product Classification

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

An insurance contract is a contract under which the Group and the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group and the Company determine whether significant insurance risk has been accepted by comparing benefits paid on the occurrence of an insured event with benefits payable if the insured event had not occurred.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(o) Product Classification (Cont'd.)

Conversely, investment contracts are those contracts that transfer financial risk with no significant insurance risk. 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 the period, unless all rights and obligations are extinguished or expired.

(p) Insurance Payables

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

(q) Insurance Contract Liabilities

Insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically the RBC Framework issued by BNM.

The insurance contract liabilities of the Group and the Company comprise claim liabilities and premium liabilities.

(i) Claim Liabilities

Claim liabilities represent the Group's and the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the reporting date. Claim liabilities are the estimated cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries. Claim liabilities comprise liabilities for outstanding claims - being the cost of claims incurred and reported to the Group - as well as a reserve for claims incurred but not reported ("IBNR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Group and Company level.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(i) Claim Liabilities (Cont'd.)

Liabilities for outstanding claims are recognised as advised by policyholders. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claim development patterns.

(ii) Premium Liabilities

Premium liabilities represent the Group's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a PRAD calculated at 75% confidence level at the overall Company level.

• **Unexpired Risk Reserves**

The URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for 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 expected future premium refunds.

URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to IBNR claims.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(ii) Premium Liabilities (Cont'd.)

• Unearned Premium Reserves

The UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period. The methods of computation of UPR are as follows:

- 25% method for marine and aviation cargo and transit business.
- 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the lower of the following commission rates or actual commission incurred:

Motor, bond, group medical insurance and foreign workers compensation	10%
Fire, engineering, marine hull, aviation and individual medical insurance	15%
Other classes	25%
- 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for acquisition costs.
- Non-annual policies are time-apportioned over the period of the risks.

(iii) Liability Adequacy Test

At each reporting date, the Group and the Company review all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group and of the Company, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Group and the Company discount all contractual cash flows and compare this against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(iii) Liability Adequacy Test (Cont'd.)

The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Group and the Company.

(r) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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.

(s) Financial Liabilities

Financial liabilities classified as other financial liabilities are recognised in the statements of financial position when the Group and the Company become a party to the contractual provisions of the financial instrument. Other financial liabilities include cash collateral deposits received from policyholders. Insurance and other payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less estimated directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Offsetting of Financial Assets and Financial Liabilities

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

(u) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(v) Leases

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Leases (Cont'd.)

(i) As Lessee

The Group and Company recognise a right-of-use asset and a lease liability in the statements of financial position at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Group's and Company's incremental financing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see Note 2.2(i)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

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

(ii) Short-term Leases and Leases of Low-value Assets

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Leases (Cont'd.)

- (iii) The Group and the Company does not have any lease arrangements where the Group and the Company acts as a Lessor.

(w) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

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

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

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(w) Fair Value Measurement (Cont'd.)

- Level 3 - inputs are unobservable inputs for the asset or liability.

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

(x) Investment in Subsidiaries

The consolidated financial statements are prepared if control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voteholders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(x) Investment in Subsidiaries (Cont'd.)

The Company reassesses at each reporting date whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed earlier.

In the Company's separate financial statements, investments in subsidiaries are carried at fair value, being the net asset value of the wholesale unit trust funds. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(y) Foreign Currency Transactions

Transactions in foreign currencies are measured in the functional currency of the Group and of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Judgements, Estimates And Assumptions

(a) Critical judgements made in applying accounting policies

There are no significant judgements made by management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

Valuation of general insurance contract liabilities

The principal uncertainty in the Group's general insurance business arises from the technical provisions which include the provisions of premium and claim liabilities. The premium liabilities comprise unexpired risk reserves while claim liabilities comprise provision for outstanding claims and IBNR.

The establishment of technical provisions is an inherently uncertain process. The development and eventual settlement of premium and claim liabilities may vary from their initial estimates as premium and claim liabilities are sensitive to various factors and uncertainties.

Generally, premium and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including a reasonable expectation of future events under similar circumstances.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Judgements, Estimates And Assumptions (Cont'd.)

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

Valuation of general insurance contract liabilities (Cont'd.)

There may be significant reporting lags between the occurrence of an insured event and the time it is reported to the Group and the Company. Following the identification and notification of an insured loss, the quantum of loss may not be reasonably ascertained due to uncertainty arising from inflation, judicial interpretations, legislative changes and claims handling procedures.

The accounting policies in relation to claim and premium liabilities are disclosed in Note 2.2(q)(i) and Note 2.2(q)(ii), respectively. In addition, Note 30 discloses the sensitivity analyses of the key assumptions applied during the valuation of insurance contract liabilities and the impact to gross and net carrying values, as well as profit or loss and equity.

2.4 Changes in Accounting Policies and Disclosures

New and amended standards and interpretations

On 1 January 2022, the Group and the Company adopted the following Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2022:

	Effective for annual periods beginning on or after
MFRS 3 <i>Business Combination</i> (Amendments to MFRS 3) <i>Reference to the Conceptual Framework</i>	1 January 2022
MFRS 116 <i>Property, Plant and Equipment</i> (Amendments to MFRS 116): <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies and Disclosures (Cont'd.)

New and amended standards and interpretations (Cont'd.)

	Effective for annual periods beginning on or after
MFRS 137 <i>Provision, Contingent Liabilities and Contingent Assets</i> (Amendments to MFRS 137): <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020:	
MFRS 1 <i>First-time Adoption of MFRSs</i>	1 January 2022
MFRS 9 <i>Financial Instruments</i>	1 January 2022
MFRS 141 <i>Agriculture</i>	1 January 2022

2.5 Standards Issued but Not Yet Effective

The following are Standards, Amendments to Standards and annual improvements to standards issued by the Malaysian Accounting Standards Board (“MASB”), but which are not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intends to adopt these standards and amendment to standards, if applicable, when they become effective:

	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i> (Amendment to MFRS 17 <i>Insurance Contracts</i>)	1 January 2023
Initial Application of MFRS 17 and MFRS 9 - <i>Comparative Information</i>	1 January 2023

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

	Effective for annual periods beginning on or after
MFRS 101 <i>Presentation of Financial Statements</i> (Amendment to MFRS 101) <i>Classification of Liabilities as Current or Non-current</i> (Amendments to MFRS 101) <i>Disclosure of Accounting Policies</i>	1 January 2023
MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Amendments to MFRS 108) <i>Definition of Accounting Estimates</i>	1 January 2023
MFRS 112 <i>Income Taxes</i> (Amendments to MFRS 112) <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
MFRS 16 <i>Leases</i> (Amendments to MFRS 16) <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
MFRS 101 <i>Presentation of Financial Statements</i> (Amendments to MFRS 101) <i>Non-current Liabilities with Covenants</i>	1 January 2024

The adoption of the above pronouncements are not expected to have a significant impact on the Group and the Company except for the following:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

(i) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group and the Company have met the relevant criteria and have applied the temporary exemption from MFSR 9 for annual periods before 1 January 2023. Consequently, The Group and the Company will apply MFRS 9 for the first time on 1 January 2023.

The classification of financial assets under MFRS 9 generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. MFRS 9 includes three principal measurement categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL" – and eliminates previous MFRS 139 categories of held-to-maturity investments, LAR and AFS financial assets.

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

- The objective of the entity's business model is to hold the financial asset in order to collect its contractual cash flows; and
- The contractual cash flows represent solely payment of principal and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designated a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatche that would otherwise arise.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

(i) MFRS 9 *Financial Instruments* (Cont'd.)

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

Under MFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of MFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

MFRS 9 will affect the classification and measurement of the debts investments that are classified as AFS under MFRS 139. The debt investments may, under MFSRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

Majority of the Group and the Company's financial assets are measured at fair value both before and after transition to MFRS 9, the new classification requirements are not expected to have material impact on the Group's and the Company's total equity at 1 January 2023. Impact of application of MFRS9 on the Group's and Company's classification and measurement are disclosed in Note 34.

(ii) MFRS 17 *Insurance Contracts*

MFRS 17 Insurance Contracts replaces MFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Group and the Company will be applying MFRS 17 for the first time in the upcoming financial year ending 31 December 2023. Accordingly, it will restate comparative information for the financial year ended 31 December 2022, including the opening balance as at 1 January 2022, by applying the transition requirements of MFRS 17. The nature of the changes in accounting policies due to MFRS 17 can be summarised, as follows:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

(ii) MFRS 17 *Insurance Contracts* (Cont'd.)

(a) Changes to classification and measurement

The adoption of MFRS 17 will not change the classification of the Group's and the Company's insurance contracts.

MFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group and the Company.

The Group and the Company have developed policies that will address the following key principles of MFRS 17:

- Identify insurance contracts as those under which the Group and the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separate specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and account for them in accordance with other applicable MFRS or IFRS;
- Separate the insurance and reinsurance contracts into groups that it will recognise and measure;
- Recognise and measure groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, plus an amount representing the unearned profit in the group of contracts (the contractual service margin or "CSM");

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

(ii) MFRS 17 *Insurance Contracts* (Cont'd.)

(a) Changes to classification and measurement

- Recognise profit from a group of insurance contracts over each period the Group and the Company provides insurance coverage, as the Group and the Company is released from risk. If a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period, the Group and the Company will recognise the loss immediately; and
- Recognise an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Under MFRS 17, the Group and the Company have determined that insurance contracts issued and reinsurance contracts held are eligible for the GMM measurement model.

General Measurement Model ("GMM")

This is the default measurement model for insurance contracts valued using fulfilment cash flows (the present value of expected future cash flows, plus a risk adjustment) offset by the CSM which represents the unearned profit which the Group and Company will recognise as it provides services under the contracts.

The Group and the Company will be applying GMM models for all reinsurance contracts held, depending on the specific contract boundaries of each contract.

(b) Changes to presentation and disclosure

For presentation purposes, the Group and the Company will aggregate insurance and reinsurance contracts held and these will be presented separately in the statement of financial position as follows:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

(ii) MFRS 17 *Insurance Contracts* (Cont'd.)

(b) Changes to presentation and disclosure (cont'd)

- Portfolios of insurance contracts issued;
- Portfolios of insurance contracts held;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios are as established at initial recognition, in accordance with the requirements of MFRS 17.

Groups of insurance contracts issued will include any assets for insurance acquisition cash flows.

The presentation of profit or loss and other comprehensive income will change upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. The items related to insurance contracts that will be presented in profit or loss effective from the financial year ending 31 December 2023 will be as follows:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

MFRS 17 will also require more extensive disclosure requirements compared to MFRS 4. The Group and the Company will provide both qualitative and quantitative disclosures about insurance contracts in the following areas:

- Explanation of the amounts recognised in the Group and the Company's financial statements arising from insurance contracts;
- Significant judgements, and changes in those judgements, when applying MFRS 17;
- The nature and extent of risks that arise from contracts within the scope of MFRS 17.

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2.5 Standards Issued but Not Yet Effective (Cont'd.)

(ii) MFRS 17 *Insurance Contracts* (Cont'd.)

(c) Transition

On transition date, 1 January 2022, the Group and the Company:

- Identifies, recognises and measures each group of insurance and reinsurance contracts as if MFRS 17 had always applied (unless impracticable using full retrospective approach;
 - Identifies, recognises and measures assets for insurance acquisition cash flows as if MFRS 17 had always applied;
 - Derecognises any existing balances that would not exist had MFRS 17 always applied; and
 - Recognises any resulting net difference in equity.
- **Full retrospective approach ("FRA")**

The determination of whether it is impracticable to adopt the FRA for group of contracts as at the transition date was made after considering the cost or effort required to collect the required information or create information where the required data is unavailable (either due to system migrations in the past, data retention policies, and changes in requirements introduced by MFRS 17) and if hindsight is needed to determine the estimates at prior periods. At this juncture, the Group and the Company have ascertained that it will apply the FRA to all groups of insurance contracts that are still inforced as of 1 January 2022.

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2.5 Standards Issued but Not Yet Effective (Cont'd.)

(ii) MFRS 17 *Insurance Contracts* (Cont'd.)

(d) Amendment to MFRS 9 as a result of MFRS 17 implementation

The Group and Company have applied the temporary exemption from MFRS 9 and shall be adopting MFRS 9 with effect from 1 January 2023. As MFRS 17 allows an election for the effect of changes in discount rates to be recognised through profit or loss or through other comprehensive income, the Group and Company have decided that all financial assets will be recognised through Fair Value through Profit and Loss.

(e) Anticipated impact to the Company

- The impacts of adopting MFRS 17 to opening balances as at 1 January 2022 and the comparatives as at and for the year ended 31 December 2022 are currently being finalised after having considered all technical requirements, the relevance of the measurement approaches and transition considerations, amongst others during the implementation period.
- MFRS 17 will provide enhanced disclosures to enable to readers to understand insurance contracts issued by the Company, including a clearer delineation of how the Company has performed in both underwriting and investments activities. The definition of revenue and related profit recognition patterns will change significantly, although the overall profitability of insurance contracts should continue to be intact as the fundamentals of the contracts itself has not changed.
- No significant impact on pricing and product strategies at this juncture.
- No significant impact to the fundamental economics of the business, financial strength, claims paying ability, or dividend capacity of the company. Thus, there is no change to the Group and the Company business strategy at this juncture.

The Group and the Company is currently finalising the implementation of MFRS 17 and will be fully compliant with the requirements of the Standard by 31 December 2023.

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3. PROPERTY AND EQUIPMENT

Group/Company	← At Valuation →		← Furniture, →		At Cost →			Total
	Freehold	Long-term	Office	Fixtures	Motor	Office	Soft	
	Office Lots	Leasehold	Equipment	& Fittings	Vehicles	Renovation	Furnishings	
	RM	RM	RM	RM	RM	RM	RM	RM
VALUATION/COST								
At 1 January 2022	7,500,000	5,800,000	10,223,282	649,185	1,663,380	3,035,882	66,301	28,938,030
Additions	-	-	2,032,758	10,660	214,295	27,870	-	2,285,583
Disposal	-	-	-	-	(368,626)	-	-	(368,626)
At 31 December 2022	7,500,000	5,800,000	12,256,040	659,845	1,509,049	3,063,752	66,301	30,854,987
ACCUMULATED DEPRECIATION								
At 1 January 2022	25,000	19,333	7,071,688	556,399	1,225,987	2,979,154	62,918	11,940,479
Charge for the year (Note 23)	150,000	116,000	1,125,729	30,400	114,364	21,772	385	1,558,650
Disposal	-	-	-	-	(293,054)	-	-	(293,054)
At 31 December 2022	175,000	135,333	8,197,417	586,799	1,047,297	3,000,926	63,303	13,206,075
NET BOOK VALUE								
At 31 December 2022	7,325,000	5,664,667	4,058,623	73,046	461,752	62,826	2,998	17,648,912

*This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

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3. PROPERTY AND EQUIPMENT (CONT'D.)

Group/Company	← At Valuation →		← Furniture, →		At Cost →			Total
	Freehold	Long-term	Office	Fixtures	Motor	Office	Soft	
	Office Lots	Leasehold	Equipment	& Fittings	Vehicles	Renovation	Furnishings	
	RM	RM	RM	RM	RM	RM	RM	RM
VALUATION/COST								
At 1 January 2021	7,900,000	5,390,000	7,871,021	649,185	1,376,840	2,970,422	66,301	26,223,769
Additions	-	-	2,352,261	-	286,540	65,460	-	2,704,261
Revaluation adjustment	442,667	984,933	-	-	-	-	-	1,427,600
Transferred to revaluation reserve*	(842,667)	(574,933)	-	-	-	-	-	(1,417,600)
At 31 December 2021	7,500,000	5,800,000	10,223,282	649,185	1,663,380	3,035,882	66,301	28,938,030
ACCUMULATED DEPRECIATION								
At 1 January 2021	790,000	539,000	6,419,116	523,660	1,045,472	2,850,032	62,533	12,229,813
Charge for the year (Note 23)	77,667	55,266	652,572	32,739	180,515	129,122	385	1,128,266
Transferred to revaluation reserve*	(842,667)	(574,933)	-	-	-	-	-	(1,417,600)
At 31 December 2021	25,000	19,333	7,071,688	556,399	1,225,987	2,979,154	62,918	11,940,479
NET BOOK VALUE								
At 31 December 2021	7,475,000	5,780,667	3,151,594	92,786	437,393	56,728	3,383	16,997,551

*This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

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3. PROPERTY AND EQUIPMENT (CONT'D.)

- (i) The Group's freehold and leasehold office lots are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. The freehold and leasehold office lots were revalued based on the valuation carried out by an accredited independent professional valuer on an open market value basis using the comparison method.

The valuers are independent valuers who are not related to the Group and the Company and they are members of the Royal Institution of Surveyors Malaysia ("RISM") with appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location.

The strata titles to the freehold office lots have yet to be issued by the relevant authorities.

- (ii) The carrying amounts of the revalued properties had they been stated at cost less accumulated depreciation would be as follows:

	Group/Company	
	2022	2021
	RM	RM
Freehold office lots	1,652,903	1,803,167
Long-term leasehold office lots	1,465,625	1,531,545
	<u>3,118,528</u>	<u>3,334,712</u>

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3. PROPERTY AND EQUIPMENT (CONT'D.)

(iii) A description of valuation techniques used and key inputs to valuation of freehold and leasehold office lots of the Group and the Company are as follows:

	<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range</u>
Freehold office lots	Comparison method	Estimated value per square foot	RM380 to RM500
Long term leasehold office lots	Comparison method	Estimated value per square foot	RM400 to RM1,507

The fair value of the freehold and leasehold office lots were revalued based on the valuation carried out by accredited independent professional valuers on an open market value basis using the comparison method that reflects recent transaction prices for similar properties. The valuation techniques used by the accredited independent valuers are verified by Management to ensure that they are in accordance with the requirements of MFRS 13 *Fair Value Measurement*. The valuation results are then presented to the Board of Directors.

An increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value. The fair value of the freehold and leasehold office lots of the Group and the Company are classified under level 3 of the fair value hierarchy as disclosed in Note 31.

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4. RIGHT-OF-USE ASSETS

	Group/Company	
	2022	2021
	RM	RM
Cost - Office lots		
At 1 January	4,292,406	4,292,406
Additions	-	-
At 31 December	<u>4,292,406</u>	<u>4,292,406</u>
Accumulated depreciation - Office lots		
At 1 January	1,121,409	747,031
Charge for the year (Note 23)	374,378	374,378
At 31 December	<u>1,495,787</u>	<u>1,121,409</u>
Net book value - Office lots		
At 31 December	<u>2,796,619</u>	<u>3,170,997</u>

The total leased assets held by the Group and the Company amount to RM8,461,286 (2021: RM8,951,664) which comprise of the right-of-use assets amounting to RM2,796,619 (2021: RM3,170,997) and leasehold office lots with net book value of RM5,664,667 (2021: RM5,780,667) as disclosed in Note 3.

This note provides information for leases where the Group and the Company is a lessee.

The Group and the Company have entered into lease agreements for office rental and other office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. There are also several lease contracts that include extension and termination options.

The Group and the Company have leases for office rental with lease terms of 12 months or less and leases of low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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4. RIGHT-OF-USE ASSETS (CONT'D.)

The following are the amounts recognised in profit or loss:

	Group/Company	
	2022	2021
	RM	RM
Depreciation expense of right-of-use assets	374,378	374,378
Interest expense on lease liabilities	167,815	183,058
Expense related to short-term leases	11,385	16,800
Expense related to leases of low-value assets	54,399	59,023
Total amount recognised in profit or loss	607,977	633,259

5. INVESTMENTS

(a) AFS Financial Assets

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Corporate debt securities	-	1,000,001	-	1,000,001
Wholesale unit trust funds	70,113,877	75,983,686	187,739,631	204,976,796
Total (a)	70,113,877	76,983,687	187,739,631	205,976,797

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5. INVESTMENTS (CONT'D.)

(b) Financial Assets at FVTPL

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<u>Held for trading:</u>				
Corporate debt securities	107,063,375	123,130,584	-	-
Real estate investment trusts (REITs)	1,928,599	3,937,622	1,928,599	3,937,622
Equity securities quoted in Malaysia	77,659,717	78,017,272	77,659,717	78,017,272
Total (b)	186,651,691	205,085,478	79,588,316	81,954,894
Total investments (a) + (b)	256,765,568	282,069,165	267,327,947	287,931,691

Management's assessment of the potential impact of adopting MFRS 9 on the effective date is set out in Note 34.

(c) Investments in subsidiaries - Wholesale unit trust funds

Included in the Company's AFS financial assets are the Company's investments in subsidiaries amounting to RM117,625,754 (2021: RM128,993,110) which comprise two wholesale unit trust funds in Malaysia as follows:

<u>Established in Malaysia</u>	<u>Effective Direct Interests</u>	
	2022	2021
Affin Hwang Institutional Bond Fund	96.03%	96.53%
United Institutional Income Fund	96.86%	96.86%

Note: Affin Hwang Institutional Bond Fund is audited by a firm other than Ernst & Young PLT.

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5. INVESTMENTS (CONT'D.)

(c) Investments in subsidiaries - Wholesale unit trust funds (Cont'd.)

The Company considers that the non-controlling interests in the above subsidiaries are not significant and accordingly no disclosures are provided in respect of the summarised income statements, summarised statements of comprehensive income, summarised statements of financial position and summarised statements of cash flows.

The principal activities of the subsidiaries are as follows:

<u>Subsidiary</u>	<u>Principal activity</u>
Affin Hwang Institutional Bond Fund	Unit trust fund holding investments in fixed income securities/sukuk
United Institutional Income Fund	Unit trust fund holding investments in fixed income securities

6. REINSURANCE ASSETS

	Note	Group/Company	
		2022	2021
		RM	RM
Reinsurance of insurance contracts liabilities:			
Claim liabilities	12 (i)	105,564,653	109,459,931
Premium liabilities	12 (ii)	37,392,874	33,880,647
		<u>142,957,527</u>	<u>143,340,578</u>

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7. LOANS AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<u>Other receivables:</u>				
Share of net assets held by				
Malaysian Motor				
Insurance Pool				
("MMIP")*	41,201,022	44,502,437	41,201,022	44,502,437
Income due and accrued	5,320,184	226,960	266,054	226,960
Other receivables and				
deposits	1,446,748	1,448,200	1,446,748	1,448,200
Prepayments	205,300	87,916	205,300	87,916
Amounts receivable from				
sale of shares	149,210	148,762	149,210	148,762
	<u>48,322,464</u>	<u>46,414,275</u>	<u>43,268,334</u>	<u>46,414,275</u>
<i>Less:</i> Allowance for				
impairment	(986,463)	(986,463)	(986,463)	(986,463)
	<u>47,336,001</u>	<u>45,427,812</u>	<u>42,281,871</u>	<u>45,427,812</u>
<u>Fixed and call deposits with:</u>				
Licensed banks in Malaysia	42,346,212	54,651,586	33,158,534	45,125,541
Borneo Housing Mortgage				
Finance Berhad	34,000,000	34,000,000	34,000,000	34,000,000
	<u>76,346,212</u>	<u>88,651,586</u>	<u>67,158,534</u>	<u>79,125,541</u>
Total loans and other				
 receivables	<u>123,682,213</u>	<u>134,079,398</u>	<u>109,440,405</u>	<u>124,553,353</u>

The carrying amounts of financial assets disclosed above are reasonable approximations of fair values at reporting date due to their short-term maturity.

	Group/Company	
	2022	2021
	RM	RM
Movement in allowance accounts:		
At 1 January	986,463	837,561
Charge for the year (Note 23)	-	148,902
At 31 December	<u>986,463</u>	<u>986,463</u>

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7. LOANS AND OTHER RECEIVABLES (CONT'D.)

- * As a participating member of MMIP, the Group and the Company share a proportion of the Pool's net assets/liabilities. At each reporting date, the Group and the Company account for its proportionate share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Group's and the Company's share of the Pool's net assets, before insurance contract liabilities. The Group's and the Company's share of the Pool's insurance contract liabilities and net exposure arising from its participation in the Pool is disclosed in Note 12. The share of net assets of MMIP includes the Group's and the Company's net cash contributions of RM10,859,477 (2021: RM12,859,477) made to MMIP.

Included in the fixed and call deposits are cash collaterals received from policyholders of RM25,189,099 (2021: RM26,478,302) for guarantees issued on behalf of policyholders (Note 14).

The weighted average effective interest rates of the fixed and call deposits as at 31 December 2022 were 2.67% (2021: 2.33%) per annum.

8. DEFERRED TAXATION

	Group/Company	
	2022	2021
	RM	RM
At 1 January	(266,728)	(1,534,210)
Recognised in profit or loss (Note 24)	3,917,903	1,610,106
Recognised in other comprehensive income	-	(342,624)
At 31 December	<u>3,651,175</u>	<u>(266,728)</u>

Presented after appropriate offsetting are as follows:

	Group/Company	
	2022	2021
	RM	RM
Deferred tax assets	6,692,175	2,700,381
Deferred tax liabilities	<u>(3,041,000)</u>	<u>(2,967,109)</u>
Net deferred tax asset/(liability)	<u>3,651,175</u>	<u>(266,728)</u>

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8. DEFERRED TAXATION (CONT'D.)

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

Group/Company - Deferred tax assets

	Premium liabilities RM	Unutilised Tax Losses RM	Lease liabilities & Provisions RM	Impaired AFS financial assets RM	Fair value gains on financial assets at FVTPL RM	Total RM
At 1 January 2022	530	-	1,499,851	1,200,000	-	2,700,381
<u>Recognised in:</u>						
Profit or loss	(530)	3,503,016	372,030	-	117,278	3,991,794
At 31 December 2022	<u>-</u>	<u>3,503,016</u>	<u>1,871,881</u>	<u>1,200,000</u>	<u>117,278</u>	<u>6,692,175</u>
At 1 January 2021	260,757	-	1,564,617	1,200,000	-	3,025,374
<u>Recognised in:</u>						
Profit or loss	(260,227)	-	(64,766)	-	-	(324,993)
At 31 December 2021	<u>530</u>	<u>-</u>	<u>1,499,851</u>	<u>1,200,000</u>	<u>-</u>	<u>2,700,381</u>

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8. DEFERRED TAXATION (CONT'D.)

Group/Company - Deferred tax liabilities

	Premium liabilities RM	Property revaluation reserve RM	Accelerated capital allowances RM	Right-of-use assets RM	Fair value gains on financial assets at FVTPL RM	Total RM
At 1 January 2022	-	(2,381,028)	(286,149)	-	(299,932)	(2,967,109)
<u>Recognised in:</u>						
Profit or loss	(12,366)	56,040	253,691	(671,188)	299,932	(73,891)
At 31 December 2022	<u>(12,366)</u>	<u>(2,324,988)</u>	<u>(32,458)</u>	<u>(671,188)</u>	<u>-</u>	<u>(3,041,000)</u>
At 1 January 2021	-	(2,018,424)	(83,805)	(179,371)	(2,277,984)	(4,559,584)
<u>Recognised in:</u>						
Profit or loss	-	(19,980)	(202,344)	179,371	1,978,052	1,935,099
Other comprehensive income	-	(342,624)	-	-	-	(342,624)
At 31 December 2021	<u>-</u>	<u>(2,381,028)</u>	<u>(286,149)</u>	<u>-</u>	<u>(299,932)</u>	<u>(2,967,109)</u>

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9. INSURANCE RECEIVABLES

	Group/Company	
	2022	2021
	RM	RM
Due premiums including agents/brokers and co-insurers balances	26,862,411	21,185,858
Due from reinsurers and cedants	6,359,719	6,221,200
	33,222,130	27,407,058
<i>Less : Allowance for impairment</i>	(3,609,053)	(5,786,687)
	29,613,077	21,620,371

The Group's and the Company's amounts due from reinsurers and cedants have been offset against amount due to reinsurers and cedants as follows:

	Gross carrying amount RM	Gross amount offset in the statements of financial position RM	Net amount in the statements of financial position RM
31 December 2022			
Premium	4,895,479	(1,469,172)	3,426,307
Commissions	(866,681)	348,068	(518,613)
Claims	4,113,874	(661,849)	3,452,025
	8,142,672	(1,782,953)	6,359,719
31 December 2021			
Premium	4,408,062	(2,398,100)	2,009,962
Commissions	(724,284)	364,910	(359,374)
Claims	4,260,886	309,726	4,570,612
	7,944,664	(1,723,464)	6,221,200

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9. INSURANCE RECEIVABLES (CONT'D.)

	Individually impaired RM	Group/Company Collectively impaired RM	Total RM
Movement in allowance accounts:			
At 1 January 2022	1,474,584	4,312,103	5,786,687
Reversal of impairment losses (Note 23)	(57,201)	(2,120,433)	(2,177,634)
At 31 December 2022	<u>1,417,383</u>	<u>2,191,670</u>	<u>3,609,053</u>
At 1 January 2021	1,735,479	3,737,690	5,473,169
(Reversal of)/allowance for impairment losses (Note 23)	(260,895)	574,413	313,518
At 31 December 2021	<u>1,474,584</u>	<u>4,312,103</u>	<u>5,786,687</u>

10. SHARE CAPITAL

	2022		Group/Company		2021	
	No. of shares	RM	No. of shares	RM	No. of shares	RM
At beginning/end of year						
Issued and fully paid up	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

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11. RESERVES

Reserves of the Group and the Company comprise of the following:

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
Non-distributable:					
Property revaluation					
reserve	(a)	7,244,308	7,244,308	7,244,308	7,244,308
AFS reserve	(b)	(1,675,187)	(1,438,690)	155,747	2,564,473
		<u>5,569,121</u>	<u>5,805,618</u>	<u>7,400,055</u>	<u>9,808,781</u>
Distributable:					
Retained earnings	(c)	172,737,534	188,722,686	170,845,816	184,789,269
		<u>172,737,534</u>	<u>188,722,686</u>	<u>170,845,816</u>	<u>184,789,269</u>
Total reserves		<u>178,306,655</u>	<u>194,528,304</u>	<u>178,245,871</u>	<u>194,598,050</u>

(a) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of properties and is not distributable as cash dividends until its realisation.

(b) AFS reserve

The AFS reserve is in respect of unrealised gains on AFS financial assets net of deferred taxation.

(c) Retained earnings

The Company may distribute dividends out of its entire retained earnings under the single tier system.

INSURANCE CONTRACT LIABILITIES

Group/Company	← 2022 →			← 2021 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	123,302,833	(79,810,029)	43,492,804	140,160,616	(90,729,599)	49,431,017
Provision for incurred but not reported claims (“IBNR”)	32,803,090	(14,174,933)	18,628,157	29,284,841	(9,240,518)	20,044,323
Claims handling expenses	2,230,326	-	2,230,326	2,417,267	-	2,417,267
Provision of risk margin for adverse deviations (“PRAD”)	16,683,125	(11,688,812)	4,994,313	13,857,931	(9,600,025)	4,257,906
Less : Impairment on reinsurance assets	-	109,121	109,121	-	110,211	110,211
Claim liabilities (i)	175,019,374	(105,564,653)	69,454,721	185,720,655	(109,459,931)	76,260,724
Premium liabilities (ii)	63,706,264	(37,392,874)	26,313,390	60,524,491	(33,880,647)	26,643,844
	<u>238,725,638</u>	<u>(142,957,527)</u>	<u>95,768,111</u>	<u>246,245,146</u>	<u>(143,340,578)</u>	<u>102,904,568</u>

INSURANCE CONTRACT LIABILITIES (CONT'D.)

Group/Company	← 2022 →			← 2021 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
(i) Claim Liabilities						
At 1 January	185,720,655	(109,459,931)	76,260,724	172,059,654	(89,808,884)	82,250,770
Claims incurred in the current accident year	55,240,661	(25,726,805)	29,513,856	104,762,839	(52,379,145)	52,383,694
Movements in claims incurred in prior accident years	(8,678,025)	4,612,171	(4,065,854)	(48,694,478)	14,155,828	(34,538,650)
Claims paid during the year (Note 22)	(57,263,917)	25,009,912	(32,254,005)	(42,407,360)	18,572,270	(23,835,090)
At 31 December	<u>175,019,374</u>	<u>(105,564,653)</u>	<u>69,454,721</u>	<u>185,720,655</u>	<u>(109,459,931)</u>	<u>76,260,724</u>
(ii) Premium Liabilities						
At 1 January	60,524,491	(33,880,647)	26,643,844	64,652,401	(36,403,458)	28,248,943
Premiums written in the year	125,102,446	(77,881,504)	47,220,942	123,639,865	(74,160,422)	49,479,443
Premiums earned during the year	(121,920,673)	74,369,277	(47,551,396)	(127,767,775)	76,683,233	(51,084,542)
At 31 December	<u>63,706,264</u>	<u>(37,392,874)</u>	<u>26,313,390</u>	<u>60,524,491</u>	<u>(33,880,647)</u>	<u>26,643,844</u>

As at 31 December 2022, the insurance contract liabilities above includes the Group's and the Company's share of MMIP's claims and premium liabilities amounting to RM14,131,295 (2021: RM20,193,736) and RM788,758 (2021: RM916,247), respectively.

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12. INSURANCE CONTRACT LIABILITIES (CONT'D.)

The Group's and the Company's share in the net assets held under MMIP is as disclosed in Note 7. Presented below is the Group's and the Company's net exposure position arising from their participation in MMIP after considering their share of the Pool's insurance contract liabilities.

	Group/Company	
	2022	2021
	RM	RM
<u>Asset/Liabilities:</u>		
Total Assets:		
- Accumulated cash contributions to MMIP	10,859,477	12,859,477
- Other assets	30,413,602	31,725,028
Other payables and provisions	(72,057)	(82,068)
Net assets held under MMIP (Note 7)	41,201,022	44,502,437
Insurance contract liabilities		
- Claim liabilities	(14,131,295)	(20,193,736)
- Premium liabilities	(788,758)	(916,247)
Net assets position	26,280,969	23,392,454

13. LEASE LIABILITIES

	Group/Company	
	2022	2021
	RM	RM
Office lots		
At 1 January	3,650,862	3,983,660
Additions	-	-
Payment of lease liabilities	(522,271)	(515,856)
Interest expense on lease liabilities (Note 23)	167,815	183,058
At 31 December	3,296,406	3,650,862

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14. OTHER FINANCIAL LIABILITIES

	Group/Company	
	2022	2021
	RM	RM
Cash collateral deposits received from policyholders (Note 7)	25,189,099	26,478,302
Interest on cash collateral deposits received from policyholders	1,671,604	1,630,046
	<u>26,860,703</u>	<u>28,108,348</u>

15. INSURANCE PAYABLES

	Group/Company	
	2022	2021
	RM	RM
Due to reinsurers and cedants	27,283,482	20,720,017
Due to agents/brokers and co-insurers balances	973,965	1,758,144
	<u>28,257,447</u>	<u>22,478,161</u>

The Group's and the Company's amounts due to reinsurers and cedants have been offset against amount from reinsurers and cedants as follows:

	Gross carrying amount	Gross amount offset in the statements of financial position	Net amount in the statements of financial position
	RM	RM	RM
31 December 2022			
Premium	54,510,122	(1,469,172)	53,040,950
Commissions	(7,901,393)	348,068	(7,553,325)
Claims	(17,542,294)	(661,849)	(18,204,143)
	<u>29,066,435</u>	<u>(1,782,953)</u>	<u>27,283,482</u>

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15. INSURANCE PAYABLES (CONT'D.)

	Gross carrying amount RM	Gross amount offset in the statements of financial position RM	Net amount in the statements of financial position RM
31 December 2021			
Premium	30,052,747	(2,398,100)	27,654,647
Commissions	(4,207,691)	364,910	(3,842,781)
Claims	(3,401,575)	309,726	(3,091,849)
	<u>22,443,481</u>	<u>(1,723,464)</u>	<u>20,720,017</u>

16. OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Other payables	2,814,721	1,883,944	2,755,234	1,805,533
Provision for bonus	2,178,826	1,824,717	2,178,826	1,824,717
Accrued expenses	1,993,955	2,923,563	1,993,955	2,923,563
Salaries and wages control	1,246,044	384,371	1,246,044	384,371
Amounts payable for purchase of shares/bonds	56,075	4,123,192	56,075	4,123,192
	<u>8,289,621</u>	<u>11,139,787</u>	<u>8,230,134</u>	<u>11,061,376</u>

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17. OPERATING REVENUE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Gross earned premium	121,920,673	127,767,775	121,920,673	127,767,775
Investment income before investment expenses (Note 18)	10,656,422	11,192,512	9,413,345	10,070,705
	<u>132,577,095</u>	<u>138,960,287</u>	<u>131,334,018</u>	<u>137,838,480</u>

18. INVESTMENT INCOME, NET

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
AFS Financial Assets				
<u>Interest/profit income:</u>				
Distribution income from wholesale unit trust funds	1,132,315	2,685,360	5,311,604	7,001,583
Financial Assets at FVTPL				
<u>Interest/profit income:</u>				
Malaysian Government Securities	-	116,370	-	-
Corporate debt securities	5,418,399	5,317,882	-	-
Amortisation of premium, net of accretion of discounts	(127,423)	(157,096)	-	-
Total (A)	<u>6,423,291</u>	<u>7,962,516</u>	<u>5,311,604</u>	<u>7,001,583</u>

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18. INVESTMENT INCOME, NET (CONT'D.)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Financial Assets at FVTPL (Cont'd.)				
<u>Dividend income:</u>				
REITs	80,875	87,046	80,875	87,046
Equity securities quoted in Malaysia	2,809,770	1,917,151	2,809,770	1,917,151
Fixed and call deposits				
Interest income	1,342,486	1,225,799	1,211,096	1,064,925
Total (B)	<u>4,233,131</u>	<u>3,229,996</u>	<u>4,101,741</u>	<u>3,069,122</u>
Investment income before investment expenses (Note 17)				
Total (A) + (B)	10,656,422	11,192,512	9,413,345	10,070,705
<i>Less</i> : Investment expenses	(591,350)	(549,326)	(591,350)	(549,326)
	<u>10,065,072</u>	<u>10,643,186</u>	<u>8,821,995</u>	<u>9,521,379</u>

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19. REALISED (LOSSES)/GAINS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
AFS Financial Assets:				
Wholesale unit trust funds	(126,406)	-	(126,406)	-
Financial Assets at FVTPL:				
Corporate debt securities	(181,800)	131,257	-	-
REITs	(208,117)	(951)	(208,117)	(951)
Equity securities quoted in Malaysia	(7,760,208)	12,022,404	(7,760,208)	12,022,404
	<u>(8,276,531)</u>	<u>12,152,710</u>	<u>(8,094,731)</u>	<u>12,021,453</u>

20. FAIR VALUE LOSSES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Financial assets at FVTPL	<u>(4,361,933)</u>	<u>(13,381,682)</u>	<u>(1,738,366)</u>	<u>(8,241,890)</u>

21. OTHER OPERATING INCOME/(EXPENSES)

	Group/Company	
	2022	2021
	RM	RM
Sundry income/(expenses)	363,999	(315,193)
Gains on disposal of property and equipment	49,278	-
Realised gain/(losses) on foreign exchange	45,938	(119,457)
	<u>459,215</u>	<u>(434,650)</u>

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22. NET CLAIMS INCURRED

	Group/Company	
	2022	2021
	RM	RM
Gross claims paid	57,263,917	42,407,360
Claims ceded to reinsurers	(25,009,912)	(18,572,270)
Net claims paid	<u>32,254,005</u>	<u>23,835,090</u>
Gross change in contract liabilities:		
At 31 December	175,019,374	185,720,655
At 1 January	(185,720,655)	(172,059,654)
	<u>(10,701,281)</u>	<u>13,661,001</u>
Change in contract liabilities ceded to reinsurers:		
At 31 December	(105,564,653)	(109,459,931)
At 1 January	109,459,931	89,808,884
	<u>3,895,278</u>	<u>(19,651,047)</u>
	<u>25,448,001</u>	<u>17,845,044</u>

23. MANAGEMENT EXPENSES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Employee benefits expenses (a)	20,494,721	18,364,509	20,494,721	18,364,509
Non-executive directors' remuneration excluding benefits-in-kind (b):	1,075,025	866,693	1,075,025	866,693
- Fees	618,941	503,183	618,941	503,183
- Other emoluments	456,084	363,510	456,084	363,510
Total (A)	<u>21,569,746</u>	<u>19,231,202</u>	<u>21,569,746</u>	<u>19,231,202</u>

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23. MANAGEMENT EXPENSES (CONT'D.)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Auditors' remuneration:	322,596	508,000	312,500	492,000
- Statutory audit	274,450	454,450	265,650	445,650
- Other auditors' fees	12,500	12,500	-	-
- Regulatory related fees	28,350	28,350	28,350	28,350
- Non-audit fees	7,296	12,700	18,500	18,000
Legal and professional fees	1,970,818	2,702,030	1,970,818	2,702,030
Management fees	337,774	370,487	337,774	370,487
Allowance for impairment losses:				
Insurance receivables (Note 9)	(2,177,634)	313,518	(2,177,634)	313,518
Other receivables (Note 7)	-	148,902	-	148,902
Bad debts written off	524,162	-	524,162	-
Recovery of bad debts	(17,325)	-	(17,325)	-
Depreciation:				
- Property and equipment (Note 3)	1,558,650	1,128,266	1,558,650	1,128,266
- Right-of-use assets (Note 4)	374,378	374,378	374,378	374,378
Interest on lease liabilities (Note 13)	167,815	183,058	167,815	183,058
Operating leases:				
- Office rental	11,385	16,800	11,385	16,800
- Office equipment rental	54,399	59,023	54,399	59,023
Computer maintenance charges	3,101,924	1,717,704	3,101,924	1,717,704
Computer lease line	777,774	482,374	777,774	482,374
Printing and stationery	422,896	382,709	422,896	382,709
Other expenses	2,822,912	2,588,309	2,431,805	2,183,746
Total (B)	10,252,524	10,975,558	9,851,321	10,554,995
Total (A) + (B)	31,822,270	30,206,760	31,421,067	29,786,197

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23. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses

	Group/Company	
	2022	2021
	RM	RM
Wages, salaries and bonuses	16,750,272	14,905,732
Social security contributions	147,721	144,091
Contribution to Employees Provident Fund	2,468,089	2,318,745
Other benefits	1,128,639	995,941
	<u>20,494,721</u>	<u>18,364,509</u>

Included in employee benefits expenses is the Chief Executive Officer's remuneration as follows:

	Group/Company	
	2022	2021
	RM	RM
(i) Chief Executive Officer - Leong Pang Cheung & Jaimin bin Kamin		
- Salary	1,174,726	762,300
- Allowance	27,613	24,000
- Defined contribution plan	134,296	75,516
- Bonus	410,935	366,025
Total salary costs (Note 23(a))	<u>1,747,570</u>	<u>1,227,841</u>
Benefits-in-kind	27,104	26,975
	<u>1,774,674</u>	<u>1,254,816</u>

(b) Non-Executive Directors' remuneration

	Group/Company	
	2022	2021
	RM	RM
Fees	618,941	503,183
Other emoluments	456,084	363,510
Benefits-in-kind	5,808	14,200
	<u>1,080,833</u>	<u>880,893</u>

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23. MANAGEMENT EXPENSES (CONT'D.)

(b) Non-Executive Directors' remuneration (Cont'd.)

Non-Executive Directors' remuneration by Director:

	Group/Company	
	2022	2021
	RM	RM
Tan Sri Sukarti Bin Wakiman	216,785	182,314
Datuk Wong Poh Loon	58,580	219,975
Tuan Haji Mohamed Rifai Bin Mohd Razi	150,534	148,261
Paul Chong Thian Soo	157,966	137,653
Chee Shok Ting	105,122	192,690
Datuk Haji Rusdin	218,819	-
Abdul Aziz bin Zainal	173,027	-
	<u>1,080,833</u>	<u>880,893</u>

24. TAXATION

	Group/Company	
	2022	2021
	RM	RM
Current income tax	-	5,113,961
Over provision of income tax in prior year	<u>(600,921)</u>	<u>(924,587)</u>
	<u>(600,921)</u>	<u>4,189,374</u>
Deferred tax (Note 8):		
- Relating to origination and reversal of temporary differences	(3,765,482)	(1,423,712)
- Over provision of deferred tax in prior years	<u>(152,421)</u>	<u>(186,394)</u>
	<u>(3,917,903)</u>	<u>(1,610,106)</u>
	<u>(4,518,824)</u>	<u>2,579,268</u>

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24. TAXATION (CONT'D.)

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

	Group	
	2022	2021
	RM	RM
Profit before taxation	<u>(13,325,769)</u>	<u>12,465,331</u>
Taxation at Malaysian statutory tax rate of 24%	(3,198,185)	2,991,679
Income not subject to tax	(1,567,024)	(1,211,014)
Expenses not deductible for tax purposes	1,317,786	1,909,584
Deferred tax assets recognised on unabsorbed CA	(318,059)	-
Over provision of income tax in prior year	(600,921)	(924,587)
Over provision of deferred tax in prior years	<u>(152,421)</u>	<u>(186,394)</u>
Taxation for the year	<u>(4,518,824)</u>	<u>2,579,268</u>

	Company	
	2022	2021
	RM	RM
Profit before taxation	<u>(11,362,276)</u>	<u>16,772,622</u>
Taxation at Malaysian statutory tax rate of 24%	(2,726,946)	4,025,429
Income not subject to tax	(1,941,974)	(2,143,827)
Expenses not deductible for tax purposes	1,221,497	1,808,647
Deferred tax assets recognised on unabsorbed CA	(318,059)	-
Over provision of income tax in prior year	(600,921)	(924,587)
Over provision of deferred tax in prior years	<u>(152,421)</u>	<u>(186,394)</u>
Taxation for the year	<u>(4,518,824)</u>	<u>2,579,268</u>

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25. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Group 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	<u>(8,806,945)</u>	<u>9,886,063</u>
	2022 Units '000	2021 Units '000
Weighted average number of ordinary shares in issue at 31 December	<u>100,000,000</u>	<u>100,000,000</u>
	2022 sen	2021 sen
Basic and diluted earnings per share	<u>(8.8)</u>	<u>9.9</u>

There have been no other transaction involving ordinary shares between the reporting date and the authorisation date of the financial statements.

26. DIVIDENDS

	Recognised in Year	
	2022 RM	2021 RM
In respect of financial year:		
2021: Final single-tier dividend of 7.1% on 100,000,000 ordinary shares (7.10 sen net per ordinary share)	7,100,001	-
2020: Final single-tier dividend of 7.63% on 100,000,000 ordinary shares (7.63 sen net per ordinary share)	<u>-</u>	<u>7,630,000</u>

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27. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessee

The Group and the Company have entered into non-cancellable operating lease arrangements for the use of certain office premises. Certain contracts in these leases carry renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

The Group and the Company also lease office equipment under non-cancellable operating lease agreements with an automatic yearly renewal option unless a written termination notice is served by either party.

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

	Company	
	2022	2021
	RM	RM
Not later than 1 year	75,392	75,392
Later than 1 year and not later than 5 years	14,013	35,041
	<u>89,405</u>	<u>110,433</u>

From 1 January 2019, given the adoption of MFRS 16 *Leases*, the Group and the Company has recognised right-of-use assets for office rental, except for short term and low-value leases which remains as operating lease.

Expenses incurred in relation to operating leases are disclosed in Note 23.

28. RELATED PARTY DISCLOSURES

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

<u>Name</u>	<u>Relationship</u>
State Government of Sabah	Shareholder
Sabah Development Bank Berhad	Other related company
Sabah State Government-Linked Companies	Other related companies

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28. RELATED PARTY DISCLOSURES (CONT'D.)

The transactions between the Group and the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

- (a) The Group and the Company had the following significant transactions with related parties during the year:

	Company	
	2022	2021
	RM	RM
<u>Wholesale unit trust funds:</u>		
Distribution income	4,179,289	4,316,223
<u>Related parties:</u>		
Gross premiums	11,189,023	11,439,003
Gross claims paid	1,262,842	(1,737,542)
Commission expenses	(573,761)	(553,090)

- (b) Included in the statements of financial position of the Group and of the Company are outstanding balances with related parties as at 31 December:

Outstanding premiums	978,197	667,128
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- (c) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company. The key management of the Group and the Company includes the Directors and Chief Executive Officer of the Company. The remuneration of key management is disclosed in Note 23(a) and Note 23(b).

29. CAPITAL COMMITMENTS

	Group/Company	
	2022	2021
	RM	RM
Authorised but not contracted for - property and equipment	6,084,500	3,648,900

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30. RISK MANAGEMENT FRAMEWORK

Risk management forms an integral part of the Group's core business processes and the Board, with the assistance of the management, had implemented risk management processes within the Group and the Company that set out the overall business strategies and the general risk management philosophy. The Group and the Company are exposed to operational, financial and general risks.

Investments in subsidiaries (wholesale unit trust funds) are exposed to a variety of risks which include market risk, credit risk, liquidity risk and capital risk.

Financial risk management relating to wholesale unit trust funds is carried out through internal control processes adopted by the fund manager and adherence to the investment restrictions as stipulated by the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and the Trust Deeds.

The risk management infrastructure of the Group and the Company set out clear accountability and responsibility for the risk management processes which underlines the oversight, principal risk management and control responsibilities:

Processes	Parties Responsible
Approval of risk management policies, risk appetite and risk tolerance	Board of Directors - Risk Management Committee ("RMC")
Formulate and implement risk methodology structure, policies, risk appetite and risk tolerance	Dedicated Committee - Risk Management Work Group ("RMWG")
Independent monitoring and review	Independent Risk Management - Risk Management Department - Compliance Department - Information Security Department - Internal Audit Department

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The risk management infrastructure of the Group and the Company set out clear accountability and responsibility for the risk management processes which underline the oversight, principal risk management and control responsibilities: (Cont'd.)

Processes	Parties Responsible
Implementation and compliance with risk management policies and procedures	Business Units - Business Development Department and Branches - Technical Department - Claims Department - Management Information Systems Department - Actuarial Department - Finance and Account Department - Human Resource and Administration Department - Agency and Operation Department - Policy Processing Unit

The formalised risk management framework of the Group and of the Company are as follows:

The Board of Directors are responsible for the Group's risk appetite/risk tolerance, capital management framework and risk management policies.

The RMC was established to provide oversight on the risk management initiatives and drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks. The RMC is supported by the RMWG.

The RMWG, chaired by the Chief Risk Officer, is responsible to drive key risk management activities undertaken by the senior management team and communicate to the RMC on material risks (present and emerging) in terms of likelihood of exposures, the impact on the Group's business and the management action plans to manage and mitigate these risks on a continuing basis.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The risk management policies are subject to review to ensure that they remain relevant and effective in managing the associated risks due to changes in the market and regulatory environments.

The independent risk management review under the Internal Audit Department (“IAD”) provides support to the dedicated Audit Committee (“AC”) and is responsible to ascertain that the risk policies are implemented and complied with.

The role of the AC, supported by the IAD, is to provide an independent assessment of the adequacy, effectiveness and reliability of the risk management processes and system of internal controls and compliance with risk processes, laws, internal policies and regulatory guidelines.

The Business Units are responsible for identifying, mitigating and managing risks within their respective lines of business and ensuring that their day-to-day business activities are carried out in accordance with the established risk management policies, procedures and limits.

Capital Management Plan

The Group's and the Company's Capital Management Plan (“CMP”) is in compliance with the Guidelines on Internal Capital Adequacy Assessment Processes (“ICAAP”) issued by BNM for Insurers.

Under the ICAAP Guidelines, there are six (6) key elements as tabulated below:

- Board and Senior Management Oversight
- Comprehensive Risk Assessment
- Individual Target Capital Level (“ITCL”)
- Stress Testing
- Sound Capital Management
- Monitoring, Reporting and Review of ICAAP

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Capital Management Plan (Cont'd.)

The objective of the CMP is to optimise the efficiency and effective use of resources in order to maximise the returns and provide an appropriate level of capital protection to policyholders. The possible sources of vulnerabilities that can impact directly or indirectly on the operations and financial resilience of the Group and of the Company whilst complying with rules and regulations issued by the relevant authorities are taken into account.

The management of capital is guided by the CMP which is driven by the Group's business strategies and plans and organisational requisites which take into account the business and regulatory environment in which the Group and the Company operate.

The CMP takes into account how adverse scenarios are likely to affect the Group's risk management activities and sets out thresholds that act as triggers for corrective actions. The intensity of corrective actions increases depending on which threshold level is breached. The CMP ensures that an appropriate level of capital is maintained at all times.

Disclosure of the Company's compliance with the RBC Framework and the regulatory capital requirements are disclosed in Note 2.1 and Note 33 respectively.

Stress Testing

The Board and Management recognise stress testing as an effective risk management tool to identify potential threats due to exceptional but adverse plausible events.

The stress testing process has been designed to suit the Group's and the Company's business environment and risk profile and is commensurate with the nature, complexity and sophistication of its business activities. Assumptions underlying the stress tests are consistent with the results of the comprehensive risk assessment to ensure that they are realistic. Challenging scenarios are incorporated into the stress testing exercise and will be continuously reviewed with the changing business environment. The stress testing process helps determine the extent by which capital may be eroded from exceptional but adverse plausible events.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Stress Testing (Cont'd.)

The Board and Management participate actively in providing feedback and participating in the discussions on the methodology, assumptions and results of each stress testing exercise.

The Group's and the Company's stress testing process complies with the Guidelines of Stress Testing for Insurers issued by BNM. The results of the stress tests are submitted to BNM on a half yearly basis.

The stress test results together with the counter measures taken are tabled for the Board's deliberation and recommendation prior to submission to BNM.

Insurance risk

The Group and the Company underwrite various classes of general insurance contracts. The major classes of insurance business written are Fire, Motor, Marine, Bond and Engineering, Workmen's Compensation and Liabilities, Personal Accident and other Miscellaneous classes.

Insurance risk comprise both actuarial and underwriting risks resulting from pricing and acceptance processes and the inherent uncertainty regarding the occurrence, amount and timing of insurance liabilities. Insurance contracts transfer risks of the policyholders by indemnifying them against adverse effects arising from the occurrence of specified uncertain future events. The principal risk of the Group and of the Company under insurance contracts is that the actual claims and benefits payment differ from expectations and assumptions used in product pricing, risks that arise from fluctuations in timing, frequency and severity of claims as well as the adequacy of insurance liability reserves.

The Group and the Company are also exposed to risks arising from climate changes, natural disasters and terrorism activities. There is also inflation risk for longer tailed exposures that take some years to settle. The Group and the Company work closely with reinsurance brokers and reinsurers and have in place a prudent underwriting process. In addition, the Group's reinsurance structure, strategies and policies are reviewed annually by management and approved by the Board. Reinsurance structures are designed based on the type of risks and catastrophe cover is obtained to mitigate catastrophic exposures.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk (Cont'd.)

Only reinsurers with a minimum rating of A are considered and the Group and the Company limit risks to any one reinsurer by ceding different products to different parties on the approved panel of reinsurers. In those exceptional cases where reinsurers with ratings lower than A are considered, a simultaneous payment clause is introduced in the policy to mitigate the risk of default and concentration of exposure.

Risks under general insurance policies usually cover a twelve-month duration with the exception of marine cargo which covers the duration of the voyage and some non-annual policies such as bond and engineering, workmen's compensation, etc., with a cover period of more than one year. The risk inherent in general insurance contracts is reflected in the insurance liabilities which include the premium and claim liabilities. The accounting policy for premium liabilities and claim liabilities are as disclosed in Note 2.2(q).

The Group's and the Company's objectives of managing insurance risk are to improve the long-term financial performance of the business and to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value.

The Group's and the Company's underwriting strategy is to ensure that the risks underwritten are well diversified across the classes of insurance business and geographical areas. The variability of risks is managed by the selection and implementation of underwriting guidelines, which are designed to ensure that risks are diversified in terms of type of risks and level of insured benefits.

The Group and the Company adopt the following measures to manage its insurance risks:

- (i) The Group and the Company adopt an underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on the type of risks underwritten, underwriting capacity and authority of individuals to underwrite risks based on their specific expertise.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk (Cont'd.)

- (ii) The Group and the Company have in place a claims management and control system to pay claims and to detect claims overpayment or fraud. The Group and the Company have claims review policies to assess new and ongoing claims. Review of claims handling procedures and investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Group and the Company. The Group and the Company further enforce a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that may negatively impact the business. Inflation risk is mitigated by taking anticipated inflation into account when estimating insurance contract liabilities.

- (iii) The Group and the Company purchase reinsurance protection as part of its risks mitigation programme. The objective of purchasing reinsurance is to provide capacity for the Group and the Company while protecting its financial position and optimising the Group's capital efficiency. Reinsurance is ceded on a facultative, quota share, surplus share and non-proportional basis. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group and the Company substantially dependent upon any single reinsurance contract.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk (Cont'd.)

The table below sets out the concentration of the Group's gross and net written premium by class of business.

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	20,575	(2,206)	18,369	20,954	(2,079)	18,875
Fire	20,558	(12,533)	8,025	37,560	(27,881)	9,679
MAT	19,612	(19,455)	157	16,458	(15,282)	1,176
Miscellaneous	64,357	(43,688)	20,669	48,668	(28,918)	19,750
	<u>125,102</u>	<u>(77,882)</u>	<u>47,220</u>	<u>123,640</u>	<u>(74,160)</u>	<u>49,480</u>

The table below sets out the concentration of the Group's insurance contract liabilities by class of business.

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	61,798	(4,362)	57,436	76,257	(14,103)	62,154
Fire	47,119	(40,500)	6,619	56,528	(47,370)	9,158
MAT	20,195	(18,968)	1,227	15,919	(14,507)	1,412
Miscellaneous	109,614	(79,128)	30,486	97,541	(67,360)	30,181
	<u>238,726</u>	<u>(142,958)</u>	<u>95,768</u>	<u>246,245</u>	<u>(143,340)</u>	<u>102,905</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Key assumptions

The principal assumption underlying the estimation of insurance contract liabilities is that the Group's and the Company's future claims development will follow a similar pattern to past claims experience. This includes assumptions in respect of average claims costs, claims handling costs and historical claims development trend. Qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures, legislative changes, judicial decisions and economic conditions. The actual claim and premium liabilities are unlikely to develop exactly as projected and may vary from initial estimates.

No discounting is made to the recommended claim and premium liability provisions as a prudent measure and no explicit inflation adjustment has been made to claims payable in the future. However, implicit inflation is allowed for future claims to the extent that it is evident in past claims development.

The Group and the Company have based the provision of risk margin for adverse deviation for its Unexpired Risk Reserve ("URR") and claim liabilities at a 75% confidence level in accordance with the requirements prescribed under the RBC Framework issued by BNM.

Sensitivities

The Group and the Company engaged an independent actuarial firm to run a sensitivity analysis of the liabilities and comparison of past valuation results. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Company's estimation process in respect of its insurance contract liabilities. The table presented below demonstrates the sensitivity of the insurance contract liabilities to a change in the assumptions used in the estimation process.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Sensitivities (Cont'd.)

The analysis below is performed for a change in one variable with all other variables remaining constant and ignores the values of the related assets, showing the impact on gross and net liabilities, profit before tax and equity. The variables include Resultant Ultimate Loss Ratio (ULR), Provision for Risk Margin for Adverse Deviation (PRAD) and Claims Expenses. The impact on the Group's and the Company's claim liabilities arising from changes in key variables as well as the corresponding impact on profit before tax and equity are shown in the table below.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		← Increase / (Decrease) →			
31 December 2022					
Resultant Ultimate Loss Ratio (ULR)	+10%	57,240	33,763	(33,763)	(25,660)
Provision for Risk Margin for Adverse Deviation (PRAD)	+10%	1,668	499	(499)	(380)
Claims Expenses	+10%	248	245	(245)	(187)
31 December 2022					
Resultant Ultimate Loss Ratio (ULR)	-10%	(17,092)	(14,017)	14,017	10,653
Provision for Risk Margin for Adverse Deviation (PRAD)	-10%	(1,668)	(499)	499	380
Claims Expenses	-10%	(248)	(245)	245	187
31 December 2021					
Average claim cost	+10%	16,742	5,794	(5,794)	(4,403)
Average number of claims	+10%	16,318	5,426	(5,426)	(4,124)
Average claims settlement period	Increased by 6 months	4,599	1,794	(1,794)	(1,363)

*The effect on equity is shown net of tax.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Sensitivities (Cont'd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<div> <div>←</div> <div>Increase / (Decrease)</div> <div>→</div> </div>			
31 December 2021					
Average claim cost	-10%	(16,742)	(5,794)	5,794	4,403
Average number of claims	-10%	(16,318)	(5,426)	5,426	4,123
Average claims settlement period	Decreased by 6 months	(4,472)	(1,737)	1,737	1,320

*The effect on equity is shown net of tax.

Claims development table

The following tables show estimated cumulative incurred claims of the Group's motor and non-motor businesses, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies arising from the past claims development on current unpaid loss balances.

The Group and the Company believe that the estimated claim liabilities as at reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be fully assured that such balances will ultimately prove to be adequate. The disclosure on claims development aims to compare the results of past valuations to the development of actual claims and the tables below summarise the analysis of claims development in total on a net of reinsurance and gross of reinsurance basis.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2022 Claims development table - Group and Company

Analysis of Claims Development - Gross of Reinsurance (RM'000)

Total Gross Business Within Malaysia

	← Accident Year →								
	2015	2016	2017	2018	2019	2020	2021	2022	Total
Ultimate Claims Incurred									
At end of accident year	93,129	69,387	75,701	60,956	92,425	81,999	76,188	55,241	
One year later	97,043	66,423	73,605	57,643	61,773	75,453	79,249		
Two years later	85,411	61,252	66,668	60,890	59,106	67,928			
Three years later	80,850	60,189	65,775	57,819	56,635				
Four years later	79,796	59,217	64,227	58,471					
Five years later	79,279	58,975	63,872						
Six years later	78,981	58,707							
Seven years later	79,217								
Current estimate of cumulative claims incurred	79,217	58,707	63,872	58,471	56,635	67,928	79,249	55,241	519,320
Cumulative Claims Paid									
At end of accident year	27,209	24,781	23,874	23,018	16,140	17,103	11,224	14,234	
One year later	48,473	46,802	49,042	39,595	31,567	33,273	33,009		
Two years later	63,890	52,531	54,092	44,584	41,586	41,468			
Three years later	72,625	54,806	56,555	46,933	45,767				
Four years later	74,759	55,812	56,563	51,794					
Five years later	76,503	56,117	57,285						
Six years later	76,992	56,435							
Seven years later	77,528								
Cumulative payments to date	77,528	56,435	57,285	51,794	45,767	41,468	33,009	14,234	377,520
Direct & Fac. Inwards	1,689	2,272	6,587	6,677	10,868	26,460	46,240	41,007	141,800
Treaty Inwards									175
MMIP									14,131
									156,106
									2,230
									16,683
									175,019

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2022 Claims development table - Group and Company (Cont'd.)

Analysis of Claims Development - Net of Reinsurance (RM'000)

Total Net Business Within Malaysia

	Accident Year								Total
	2015	2016	2017	2018	2019	2020	2021	2022	
Ultimate Claims Incurred									
At end of accident year	47,621	47,818	48,461	38,665	37,422	29,957	27,573	29,514	
One year later	48,200	48,924	42,728	40,154	34,928	27,286	27,282		
Two years later	47,244	45,500	39,226	39,403	33,891	27,979			
Three years later	45,864	43,702	38,672	38,965	33,253				
Four years later	44,959	42,577	37,844	39,112					
Five years later	44,899	42,502	37,479						
Six years later	44,634	41,898							
Seven years later	45,212								
Current estimate of cumulative claims incurred	45,212	41,898	37,479	39,112	33,253	27,979	27,282	29,514	281,729
Cumulative Claims Paid									
At end of accident year	18,827	18,353	15,061	15,767	11,852	9,959	7,338	10,518	
One year later	35,238	34,289	29,234	28,151	22,034	17,423	16,667		
Two years later	39,218	37,446	32,667	31,730	26,531	21,783			
Three years later	40,248	39,389	34,558	33,451	28,922				
Four years later	41,937	40,262	34,804	35,442					
Five years later	43,446	40,552	35,264						
Six years later	43,885	40,867							
Seven years later	44,341								
Cumulative payments to date	44,341	40,867	35,264	35,442	28,922	21,783	16,667	10,518	233,804
Direct & Fac. Inwards	871	1,031	2,215	3,670	4,331	6,196	10,615	18,996	47,925
Treaty Inwards									174
MMIP									14,131
									62,230
									2,231
									4,994
									69,455

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2021 Claims development table - Group and Company

Analysis of Claims Development - Gross of Reinsurance (RM'000)

Total Gross Business Within Malaysia

	← Accident Year →								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
Ultimate Claims Incurred									
At end of accident year	71,721	93,129	69,387	75,701	60,956	92,425	81,999	76,188	
One year later	68,465	97,043	66,423	73,605	57,643	61,773	75,453		
Two years later	66,708	85,411	61,252	66,668	60,890	59,106			
Three years later	66,242	80,850	60,189	65,775	57,819				
Four years later	64,234	79,796	59,217	64,227					
Five years later	61,434	79,279	58,975						
Six years later	61,663	78,981							
Seven years later	60,599								
Current estimate of cumulative claims incurred	60,599	78,981	58,975	64,227	57,819	59,106	75,453	76,188	531,348
Cumulative Claims Paid									
At end of accident year	25,115	27,209	24,781	23,874	23,018	16,140	17,103	11,224	
One year later	45,868	48,473	46,802	49,042	39,595	31,567	33,274		
Two years later	53,799	63,890	52,531	54,092	44,584	41,586			
Three years later	55,638	72,625	54,806	56,555	46,933				
Four years later	59,258	74,759	55,812	56,564					
Five years later	59,165	76,503	56,116						
Six years later	59,359	76,992							
Seven years later	59,561								
Cumulative payments to date	59,561	76,992	56,116	56,564	46,933	41,586	33,274	11,224	382,250
Direct & Fac. Inwards	1,038	1,989	2,859	7,663	10,886	17,520	42,179	64,964	149,098
Treaty Inwards									154
MMIP									20,194
									169,446
									2,417
									13,858
									185,721

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2021 Claims development table - Group and Company (Cont'd.)

Analysis of Claims Development - Net of Reinsurance (RM'000)

Total Net Business Within Malaysia

	← Accident Year →								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
Ultimate Claims Incurred									
At end of accident year	53,489	47,621	47,818	48,461	38,665	37,422	29,957	27,573	
One year later	48,671	48,200	48,924	42,728	40,154	34,928	27,286		
Two years later	47,312	47,244	45,500	39,226	39,403	33,892			
Three years later	45,533	45,864	43,702	38,672	38,965				
Four years later	45,963	44,959	42,577	37,844					
Five years later	44,687	44,899	42,502						
Six years later	44,538	44,634							
Seven years later	44,379								
Current estimate of cumulative claims incurred	44,379	44,634	42,502	37,844	38,965	33,892	27,286	27,573	297,075
Cumulative Claims Paid									
At end of accident year	18,775	18,827	18,353	15,061	15,767	11,852	9,959	7,338	
One year later	33,736	35,238	34,289	29,234	28,151	22,034	17,423		
Two years later	38,826	39,218	37,446	32,667	31,730	26,531			
Three years later	40,483	40,248	39,389	34,558	33,451				
Four years later	43,608	41,937	40,262	34,804					
Five years later	43,988	43,446	40,552						
Six years later	43,653	43,885							
Seven years later	43,853								
Cumulative payments to date	43,853	43,885	40,552	34,804	33,451	26,531	17,423	7,338	247,837
Direct & Fac. Inwards	526	749	1,950	3,040	5,514	7,361	9,863	20,235	49,238
Treaty Inwards									154
MMIP									20,194
									69,586
									2,417
									4,258
									76,261

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks

The Group and the Company are exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk and operational risk that arise in the normal course of business. The Group's and the Company's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential exposures to adverse effects on its financial performance and positions.

The Group and the Company are guided by financial risk management policies and guidelines which set out the overall business strategies and the general risk management philosophy and processes. The Group and the Company have established internal processes to monitor the risks on an ongoing basis and support the development of the Group's and the Company's business.

(i) Credit risk

Credit risk is the potential financial loss resulting from the failure of counterparties such as customers, intermediaries or counterparties to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's primary exposure to credit risk arises through its investment in fixed income securities, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts. The Group and the Company have put in place investment guidelines and credit policies as part of its overall credit risk management framework. The Group and the Company manage individual exposures as well as concentration of credit risks. At the end of the reporting period, there were no significant concentration of credit risks.

Evaluation of an issuer's credit risk is undertaken by the Finance Department. The Group and the Company use the ratings assigned by external rating agencies to assess an issuer's credit risk. Monitoring of credit and concentration risk is carried out by the Accounts and Finance Department which reports to the Investment Management Committee and the Board of Directors.

Cash and deposits are generally placed with financial institutions, licensed under the Financial Services Act 2013, which are regulated by BNM.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Receivables arising from insurance and reinsurance contracts are monitored by the Credit Control Unit within the Accounts and Finance Department to ensure adherence to the Group's and the Company's credit policy. As part of the overall risk management strategy, the Group and the Company cede insurance risk through facultative, quota share, surplus share and non-proportional treaty reinsurance arrangements to mitigate concentration and overexposure of risks. The Group and the Company introduced the simultaneous payment clause in the policy when the proportion of any one or more foreign reinsurers' share of participation is deemed significant.

The Group and the Company monitor the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting its reinsurers, the Group and the Company consider their relative financial security and rating and mitigates concentration of risk by having a panel of reinsurers. The security of the reinsurer is assessed based on public rating information and annual reports.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Group	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2022							
Financial assets at FVTPL	32,113,145	60,105,580	5,091,636	-	5,591,175	83,750,155	186,651,691
AFS financial assets	-	-	-	-	-	70,113,877	70,113,877
Reinsurance assets, excluding premium liabilities	21	925,462	55,180,898	49,320,794	137,478	-	105,564,653
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	-	5,929,679	-	5,929,679
Fixed and call deposits	-	-	-	42,346,212	34,000,000	-	76,346,212
Insurance receivables	-	-	-	28,391,146	1,221,931	-	29,613,077
Cash and bank balances excluding petty cash	-	-	-	6,972,384	-	-	6,972,384
	32,113,166	61,031,042	60,272,534	127,030,536	46,880,263	153,864,032	481,191,573

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Group	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2021							
Financial assets at FVTPL	28,247,607	68,407,352	14,234,606	-	5,750,615	88,445,298	205,085,478
AFS financial assets	1,000,000	-	-	-	-	75,983,686	76,983,686
Reinsurance assets, excluding premium liabilities	19	996,062	50,251,963	50,107,925	8,103,962	-	109,459,931
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	-	837,459	-	837,459
Fixed and call deposits	-	-	-	54,651,586	34,000,000	-	88,651,586
Insurance receivables	-	-	33,974	20,204,042	1,382,355	-	21,620,371
Cash and bank balances excluding petty cash	-	-	-	9,013,674	-	-	9,013,674
	29,247,626	69,403,414	64,520,543	133,977,227	50,074,391	164,428,984	511,652,185

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Company

	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2022							
Financial assets at FVTPL	-	-	-	-	-	79,588,316	79,588,316
AFS financial assets	-	-	-	-	-	187,739,631	187,739,631
Reinsurance assets, excluding premium liabilities	21	925,462	55,180,898	49,320,794	137,478	-	105,564,653
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	-	875,549	-	875,549
Fixed and call deposits	-	-	-	33,158,534	34,000,000	-	67,158,534
Insurance receivables	-	-	-	28,391,146	1,221,931	-	29,613,077
Cash and bank balances excluding petty cash	-	-	-	6,163,011	-	-	6,163,011
	21	925,462	55,180,898	117,033,485	36,234,958	267,327,947	476,702,771

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Company	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2021							
Financial assets at FVTPL	-	-	-	-	-	81,954,894	81,954,894
AFS financial assets	1,000,000	-	-	-	-	204,976,796	205,976,796
Reinsurance assets, excluding premium liabilities	19	996,062	50,251,963	50,107,925	8,103,962	-	109,459,931
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	-	837,459	-	837,459
Fixed and call deposits	-	-	-	45,125,541	34,000,000	-	79,125,541
Insurance receivables	-	-	33,974	20,204,042	1,382,355	-	21,620,371
Cash and bank balances excluding petty cash	-	-	-	8,252,525	-	-	8,252,525
	1,000,019	996,062	50,285,937	123,690,033	44,323,776	286,931,690	507,227,517

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying financial and insurance assets according to the credit ratings of counterparties.

Group	Malaysian Licensed Financial Institutions/Insurers				Not Subject to Credit risk	Total
	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not-rated RM		
31 December 2022						
Financial assets at FVTPL	97,310,361	-	-	5,591,175	83,750,155	186,651,691
AFS financial assets	-	-	-	-	70,113,877	70,113,877
Reinsurance assets, excluding premium liabilities	56,106,381	49,320,794	-	137,478	-	105,564,653
Loans and other receivables, excluding fixed non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	5,929,679	-	5,929,679
Fixed and call deposits	42,346,212	-	-	34,000,000	-	76,346,212
Insurance receivables	-	19,662,153	8,728,993	1,221,931	-	29,613,077
Cash and bank balances excluding petty cash	6,972,384	-	-	-	-	6,972,384
	<u>202,735,338</u>	<u>68,982,947</u>	<u>8,728,993</u>	<u>46,880,263</u>	<u>153,864,032</u>	<u>481,191,573</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying financial and insurance assets according to the credit ratings of counterparties.

Group

	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2021						
Financial assets at FVTPL	110,889,565	-	-	5,750,615	88,445,298	205,085,478
AFS financial assets	1,000,000	-	-	-	75,983,686	76,983,686
Reinsurance assets, excluding premium liabilities	51,248,044	50,107,925	-	8,103,962	-	109,459,931
Loans and other receivables, excluding fixed non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	837,459	-	837,459
Fixed and call deposits	45,125,541	-	-	34,000,000	-	79,125,541
Insurance receivables	33,974	10,469,014	9,735,028	1,382,355	-	21,620,371
Cash and bank balances excluding petty cash	8,252,525	-	-	-	-	8,252,525
	<u>216,549,649</u>	<u>60,576,939</u>	<u>9,735,028</u>	<u>50,074,391</u>	<u>164,428,984</u>	<u>501,364,991</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying financial and insurance assets according to the credit ratings of counterparties.

Company

	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2022						
Financial assets at FVTPL	-	-	-	-	79,588,316	79,588,316
AFS financial assets	-	-	-	-	187,739,631	187,739,631
Reinsurance assets, excluding premium liabilities	56,106,381	49,320,794	-	137,478	-	105,564,653
Loans and other receivables, excluding fixed non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	875,549	-	875,549
Fixed and call deposits	33,158,534	-	-	34,000,000	-	67,158,534
Insurance receivables	-	19,662,153	8,728,993	1,221,931	-	29,613,077
Cash and bank balances excluding petty cash	6,163,011	-	-	-	-	6,163,011
	<u>95,427,926</u>	<u>68,982,947</u>	<u>8,728,993</u>	<u>36,234,958</u>	<u>267,327,947</u>	<u>476,702,771</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying financial and insurance assets according to the credit ratings of counterparties.

Company

	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2021						
Financial assets at FVTPL	-	-	-	-	81,954,894	81,954,894
AFS financial assets	1,000,000	-	-	-	204,976,796	205,976,796
Reinsurance assets, excluding premium liabilities	51,248,044	50,107,925	-	8,103,962	-	109,459,931
Loans and other receivables, excluding fixed non-financial assets such as prepayments, deposits, net share of MMIP assets	-	-	-	837,459	-	837,459
Fixed and call deposits	45,125,541	-	-	34,000,000	-	79,125,541
Insurance receivables	33,974	10,469,014	9,735,028	1,382,355	-	21,620,371
Cash and bank balances excluding petty cash	8,252,525	-	-	-	-	8,252,525
	<u>105,660,084</u>	<u>60,576,939</u>	<u>9,735,028</u>	<u>44,323,776</u>	<u>286,931,690</u>	<u>507,227,517</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality (Cont'd.)

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount falls due. The table presents those financial assets which are past due at the reporting date.

Group/Company

Past due but not impaired					
	More than 6-12 Months RM	More than 12 months RM	Total* RM	Past due and impaired RM	Total RM
2022					
Insurance receivables	<u>4,125,759</u>	<u>4,603,234</u>	<u>8,728,993</u>	<u>3,609,053</u>	<u>12,338,046</u>
2021					
Insurance receivables	<u>5,024,385</u>	<u>4,710,643</u>	<u>9,735,028</u>	<u>5,786,687</u>	<u>15,521,715</u>

*Reflects the nominal amounts of impaired balances.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company may not have sufficient liquid financial resources to meet their obligations when they fall due or any sudden or unplanned increases in demand for payment. In respect of catastrophic events, there is also a liquidity risk associated with the timing of recoveries between gross cash outflows and expected reinsurance recoveries. As part of the Group's and the Company's policy on liquidity management, sufficient levels of financial resources are maintained to meet expected liquidity needs under normal and stressed conditions.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(ii) Liquidity risk (Cont'd.)

The following policies and procedures are in place to mitigate the Group's and the Company's exposure to liquidity risk:

The Group and the Company have established a Group and a Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Management as soon as possible. The Investment Committee, assisted by Management, are responsible for liquidity management based on guidelines approved by the Board.

There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of its liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet expected and unexpected payments and funding needs. In the event that there are unexpected outflows beyond the normal and stressed conditions, the Group and Company can still uplift the cash and fixed deposits to meet the funding needs.

The Group's and the Company's treaty reinsurance contracts contain a "cash call" clause permitting the Group and the Company to make cash calls on claims and receive immediate payment for large losses without waiting for the usual periodic payment procedures that will mitigate and ease the funding needs for payment of large claims.

Maturity profiles

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

The maturity groupings for AFS and FVTPL financial assets which are debt instruments follow the maturity date of the instruments.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

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

Group	Carrying value RM	Maturity Period					No maturity RM	Total RM
		Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM		
31 December 2022								
Financial assets at FVTPL	186,651,691	4,875,802	10,392,540	27,905,715	39,410,411	55,090,950	79,588,316	217,263,734
AFS financial assets	70,113,877	-	-	-	-	-	70,113,877	70,113,877
Reinsurance assets, excluding premium liabilities	105,564,653	78,511,025	25,215,821	1,803,931	33,876	-	-	105,564,653
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	5,929,679	5,929,679	-	-	-	-	-	5,929,679
Fixed and call deposits	76,346,212	77,052,170	-	-	-	-	-	77,052,170
Insurance receivables	29,613,077	29,613,077	-	-	-	-	-	29,613,077
Cash and bank balances excluding petty cash	6,972,384	6,972,384	-	-	-	-	-	6,972,384
Total assets	<u>481,191,574</u>	<u>202,954,137</u>	<u>35,608,361</u>	<u>29,709,646</u>	<u>39,444,287</u>	<u>55,090,950</u>	<u>149,702,193</u>	<u>512,509,574</u>
Insurance contract liabilities, excluding premium liabilities	175,019,374	120,267,600	47,307,789	6,917,188	526,797	-	-	175,019,374
Other financial liabilities	26,860,703	19,448,641	7,219,878	219,668	-	-	-	26,888,187
Insurance payables	28,257,447	28,257,447	-	-	-	-	-	28,257,447
Other payables	8,289,621	8,289,621	-	-	-	-	-	8,289,621
Total liabilities	<u>238,427,145</u>	<u>176,263,309</u>	<u>54,527,667</u>	<u>7,136,856</u>	<u>526,797</u>	<u>-</u>	<u>-</u>	<u>238,454,629</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

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

Group	Carrying value RM	Maturity Period					No maturity RM	Total RM
		Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM		
31 December 2021								
Financial assets at FVTPL	205,085,478	-	20,945,125	12,506,025	55,019,200	61,069,200	81,954,894	231,494,444
AFS financial assets	76,983,686	1,000,000	-	-	-	-	75,983,687	76,983,687
Reinsurance assets, excluding premium liabilities	109,459,931	67,429,593	38,127,037	3,198,102	705,199	-	-	109,459,931
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	837,459	837,459	-	-	-	-	-	837,459
Fixed and call deposits	88,651,586	67,751,009	-	-	-	-	-	67,751,009
Insurance receivables	21,620,371	21,620,371	-	-	-	-	-	21,620,371
Cash and bank balances excluding petty cash	9,013,674	9,013,674	-	-	-	-	-	9,013,674
Total assets	<u>511,652,185</u>	<u>167,652,106</u>	<u>59,072,162</u>	<u>15,704,127</u>	<u>55,724,399</u>	<u>61,069,200</u>	<u>157,938,581</u>	<u>517,160,575</u>
Insurance contract liabilities, excluding premium liabilities	185,720,655	109,328,374	65,219,390	9,657,614	1,515,277	-	-	185,720,655
Other financial liabilities	28,108,348	20,709,988	6,486,064	1,057,355	-	-	-	28,253,407
Insurance payables	22,478,161	22,478,161	-	-	-	-	-	22,478,161
Other payables	11,139,787	11,139,787	-	-	-	-	-	11,139,787
Total liabilities	<u>247,446,951</u>	<u>163,656,310</u>	<u>71,705,454</u>	<u>10,714,969</u>	<u>1,515,277</u>	<u>-</u>	<u>-</u>	<u>247,592,010</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

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

Company	Carrying value RM	Maturity Period					No maturity RM	Total RM
		Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM		
31 December 2022								
Financial assets at FVTPL	79,588,316	-	-	-	-	-	79,588,316	79,588,316
AFS financial assets	187,739,631	-	-	-	-	-	187,739,632	187,739,632
Reinsurance assets, excluding premium liabilities	105,564,653	78,511,025	25,215,821	1,803,931	33,876	-	-	105,564,653
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	875,549	875,549	-	-	-	-	-	875,549
Fixed and call deposits	67,158,534	67,751,009	-	-	-	-	-	67,751,009
Insurance receivables	29,613,077	29,613,077	-	-	-	-	-	29,613,077
Cash and bank balances excluding petty cash	6,163,011	6,163,011	-	-	-	-	-	6,163,011
Total assets	<u>476,702,772</u>	<u>182,913,671</u>	<u>25,215,821</u>	<u>1,803,931</u>	<u>33,876</u>	<u>-</u>	<u>267,327,948</u>	<u>477,295,247</u>
Insurance contract liabilities, excluding premium liabilities	175,019,374	120,267,600	47,307,789	6,917,188	526,797	-	-	175,019,374
Other financial liabilities	26,860,703	19,448,641	7,219,878	219,668	-	-	-	26,888,187
Insurance payables	28,257,447	28,257,447	-	-	-	-	-	28,257,447
Other payables	8,230,134	8,230,134	-	-	-	-	-	8,230,134
Total liabilities	<u>238,367,658</u>	<u>176,203,822</u>	<u>54,527,667</u>	<u>7,136,856</u>	<u>526,797</u>	<u>-</u>	<u>-</u>	<u>238,395,142</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

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

Company	Maturity Period						No maturity RM	Total RM
	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM		
31 December 2021								
Financial assets at FVTPL	81,954,894	-	-	-	-	-	81,954,894	81,954,894
AFS financial assets	205,976,796	1,000,000	-	-	-	-	204,976,797	205,976,797
Reinsurance assets, excluding premium liabilities	109,459,931	67,429,593	38,127,037	3,198,102	705,199	-	-	109,459,931
Loans and other receivables, excluding non-financial assets such as prepayments, deposits, net share of MMIP assets	837,459	837,459	-	-	-	-	-	837,459
Fixed and call deposits	79,125,541	78,794,495	-	-	-	-	796,112	79,590,607
Insurance receivables	21,620,371	21,620,371	-	-	-	-	-	21,620,371
Cash and bank balances excluding petty cash	8,252,525	8,252,525	-	-	-	-	-	8,252,525
Total assets	<u>507,227,517</u>	<u>177,934,443</u>	<u>38,127,037</u>	<u>3,198,102</u>	<u>705,199</u>	<u>-</u>	<u>287,727,803</u>	<u>507,692,584</u>
Insurance contract liabilities, excluding premium liabilities	185,720,655	109,328,374	65,219,390	9,657,614	1,515,277	-	-	185,720,655
Other financial liabilities	28,108,348	20,709,988	6,486,064	1,057,355	-	-	-	28,253,407
Insurance payables	22,478,161	22,478,161	-	-	-	-	-	22,478,161
Other payables	11,061,376	11,061,376	-	-	-	-	-	11,061,376
Total liabilities	<u>247,368,540</u>	<u>163,577,899</u>	<u>71,705,454</u>	<u>10,714,969</u>	<u>1,515,277</u>	<u>-</u>	<u>-</u>	<u>247,513,599</u>

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(iii) 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 market prices. Market risk comprise three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/profit yield risk) and market prices (price risk).

The Group and the Company have policies and limits to manage market risk through portfolio diversification and asset allocation. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Group's and the Company's investment policy after taking into consideration the requirements of maintenance of liquidity, assets and solvency for RBC purposes. Compliance with the policy is monitored and reported periodically to the Board.

(a) Currency risk

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

The Group and the Company do not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some reinsurance premiums that are paid in foreign currencies. The payment of reinsurance premium in foreign currencies are not hedged as these are paid in USD equivalent based on the prevailing exchange rates at the time of payment.

Due to insignificant exposure to foreign currencies, these currency risk have no significant impact on the financial position and/or profit or loss of the Group and the Company.

(b) Interest rate/profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(iii) Market risk (Cont'd.)

(b) Interest rate/profit yield risk (Cont'd.)

The Group's and the Company are exposed to interest rate risk primarily through investments in fixed income securities. As the wholesale unit trust funds invest mainly in Corporate Debt Securities and Malaysian Government Securities, the net asset value ("NAV") of the funds reported by the Fund Managers would also be sensitive to interest rate movements. The impact of changes in interest rates to the fair value of investments held by the Group and the Company are as shown in the table below.

	Group				
	1.00%	1.25%	1.50%	1.75%	2.00%
Increase in interest rates	RM'000	RM'000	RM'000	RM'000	RM'000
2022					
Decrease in profit and loss after taxation/equity	<u>3,882</u>	<u>4,802</u>	<u>5,703</u>	<u>6,586</u>	<u>7,453</u>
2021					
Decrease in profit and loss after taxation/equity	<u>3,865</u>	<u>4,787</u>	<u>5,691</u>	<u>6,577</u>	<u>7,448</u>

An equivalent decrease in interest rates shown above would result in an equivalent, but opposite impact.

(c) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), regardless of whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(iii) Market risk (Cont'd.)

(c) Price risk (Cont'd.)

The Group's and the Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Group and the Company are exposed to price risk arising from investments in quoted equities and wholesale unit trust funds held by the Group and the Company and in the statements of financial position which are classified as either FVTPL or AFS financial assets.

The analysis below is performed for reasonably possible movements in equity prices and the NAV of unit trust fund prices with all other variables held constant, showing the impact on the profit and loss and to equity.

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(iii) Market risk (Cont'd.)

(c) Price risk (Cont'd.)

Group/Company					
2022			2021		
	Changes in variables	Impact on income statements RM'000	Impact on equity* RM'000	Impact on income statements RM'000	Impact on equity* RM'000
Equity prices	+25%	19,415	14,755	19,504	14,823
Equity prices	-25%	(19,415)	(14,755)	(19,504)	(14,823)
NAV of funds ^	+2%	39	29	79	60
NAV of funds ^	-2%	(39)	(29)	(79)	(60)

*Impact on equity is shown net of tax.

^Does not include impact on wholesale unit trust funds as the key risk affecting the value of such funds is interest rate/profit yield risk.

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

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30. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(iv) 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 potentially impact partly or fully the achievement of the Group's objectives and cause damage to reputation, have legal or regulatory implications or lead to financial losses.

The Group and the Company cannot expect to eliminate all operational risks but mitigates them by maintaining a comprehensive internal control framework and by monitoring and promptly responding to potential risks. Controls include segregation of duties, access controls, multi-level and combination of authorisation, reconciliation procedures, staff training, effective communication and evaluation procedures, including the use of internal audit, compliance and risk management processes. Business risk, such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

The Group's and the Company's operational and business units are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. These units are responsible and have in place policies and operational manuals in place to ensure that activities undertaken comply with the Group's and the Company's operational risk management framework and oversight by the RMWG, RMC, AC and the Board.

The internal audit team reviews the effectiveness of the internal control system and their continued relevance and reports to the AC and its recommendations are tabled for the Board's deliberation.

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31. FAIR VALUE ESTIMATION

As at 31 December 2022, the fair value of the Group's and the Company's financial assets at FVTPL, AFS financial assets and property and equipment are as follows:

Group	Carrying Value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Property and equipment:					
Freehold office lots	7,325	-	-	7,325	7,325
Long-term leasehold office lots	5,665	-	-	5,665	5,665
	<u>12,990</u>	<u>-</u>	<u>-</u>	<u>12,990</u>	<u>12,990</u>
AFS financial assets:					
Wholesale unit trust funds	70,114	70,114	-	-	70,114
	<u>70,114</u>	<u>70,114</u>	<u>-</u>	<u>-</u>	<u>70,114</u>
Financial assets at FVTPL:					
Corporate debt securities	107,064	-	107,064	-	107,064
REITs	1,928	1,928	-	-	1,928
Equity securities	77,660	77,660	-	-	77,660
	<u>186,652</u>	<u>79,588</u>	<u>107,064</u>	<u>-</u>	<u>186,652</u>

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31. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2022, the fair value of the Group's and the Company's financial assets at FVTPL, AFS financial assets and property and equipment are as follows:

Company	Carrying Value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Property and equipment:					
Freehold office lots	7,325	-	-	7,325	7,325
Long-term leasehold office lots	5,665	-	-	5,665	5,665
	<u>12,990</u>	<u>-</u>	<u>-</u>	<u>12,990</u>	<u>12,990</u>
AFS financial assets:					
Corporate debt securities	-	-	-	-	-
Wholesale unit trust funds	187,740	187,740	-	-	187,740
	<u>187,740</u>	<u>187,740</u>	<u>-</u>	<u>-</u>	<u>187,740</u>
Financial assets at FVTPL:					
REITs	1,928	1,928	-	-	1,928
Equity securities	77,660	77,660	-	-	77,660
	<u>79,588</u>	<u>79,588</u>	<u>-</u>	<u>-</u>	<u>79,588</u>

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31. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2021, the fair value of the Group's and the Company's financial assets at FVTPL, AFS financial assets and property and equipment are as follows:

Group	Carrying Value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Property and equipment:					
Freehold office lots	7,475	-	-	7,475	7,475
Long-term leasehold office lots	5,781	-	-	5,781	5,781
	<u>13,256</u>	<u>-</u>	<u>-</u>	<u>13,256</u>	<u>13,256</u>
AFS financial assets:					
Corporate debt securities	1,000	-	1,000	-	1,000
Wholesale unit trust funds	75,984	75,984	-	-	75,984
	<u>76,984</u>	<u>75,984</u>	<u>1,000</u>	<u>-</u>	<u>76,984</u>
Financial assets at FVTPL:					
Corporate debt securities	123,130	-	123,130	-	123,130
REITs	3,938	3,938	-	-	3,938
Equity securities	78,017	78,017	-	-	78,017
	<u>205,085</u>	<u>81,955</u>	<u>123,130</u>	<u>-</u>	<u>205,085</u>

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31. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2021, the fair value of the Group's and the Company's financial assets at FVTPL, AFS financial assets and property and equipment are as follows:

Company	Carrying Value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Property and equipment:					
Freehold office lots	7,475	-	-	7,475	7,475
Long-term leasehold office lots	5,781	-	-	5,781	5,781
	<u>13,256</u>	<u>-</u>	<u>-</u>	<u>13,256</u>	<u>13,256</u>
AFS financial assets:					
Corporate debt securities	1,000	-	1,000	-	1,000
Wholesale unit trust funds	204,977	204,977	-	-	204,977
	<u>205,977</u>	<u>204,977</u>	<u>1,000</u>	<u>-</u>	<u>205,977</u>
Financial assets at FVTPL:					
REITs	3,938	3,938	-	-	3,938
Equity securities	78,017	78,017	-	-	78,017
	<u>81,955</u>	<u>81,955</u>	<u>-</u>	<u>-</u>	<u>81,955</u>

For investments in unit trust funds consisting of Real Estate Investment Trust ("REIT"), fair value is determined by reference to published net asset values, while the fair values of equity securities are obtained from Bursa Malaysia. The fair value of wholesale unit trust funds, REIT and equity securities are regarded as Level 1 as the fair values are derived from prices quoted in an active market.

The fair values of Malaysian Government Securities and corporate debt securities are obtained from Bond Pricing Agency Malaysia ("BPAM"). These financial instruments are regarded as Level 2 as the significant inputs are observable.

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31. FAIR VALUE ESTIMATION (CONT'D.)

For property and equipment, the fair value is obtained from valuations performed by external valuers using the comparison method and are regarded as Level 3 as the significant inputs are not observable.

There were no changes in classification of assets under Level 1 and Level 2 of the fair value hierarchy.

The following financial assets and liabilities are not carried at fair values, but their carrying values approximate fair values as they are short term in nature or the impact of discounting is not material:

- Loans and receivables (that are classified as financial instruments)
- Insurance receivables
- Cash and bank balances
- Other financial liabilities
- Insurance payables
- Other payables (that are classified as financial instruments)

32. UPDATES ON OTHER MATTERS

(a) Update on the Malaysian Competition Commission's ("MYCC") case against 21 General Insurers and PIAM

On 22 February 2017, the Malaysia Competition Commission ("MyCC") issued a Proposed Decision against the General Insurance Association of Malaysia ("PIAM") and its 21 general insurers, including Progressive Insurance Bhd ("the Company") or an alleged infringement of the Competition Act 2010 ("CA 2010"). The MyCC alleged that PIAM and all 21 general insurers were parties to an anti-competitive agreement to fix the parts trade discount for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

PIAM and all the 21 general insurers have filed their respective written representations with the MyCC. The Company, represented by its legal counsel, has filed its written representations with the MyCC on 25 April 2017 and further made oral representations on 14 December 2017 and 17 June 2019 to defend its position, in line with PIAM and other general insurers.

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32. UPDATES ON OTHER MATTERS (CONT'D.)

(a) Update on the Malaysian Competition Commission's ("MYCC") case against 22 General Insurers and PIAM (Cont'd.)

The MyCC has on 25 September 2020 issued their final decision under Section 40 of the CA 2010 ("Final Decision") and the financial penalty for the Company has been determined. The Company has since filed an appeal against the Final Decision with the Competition Appeal Tribunal ("CAT") on 14 October 2020 and a stay of the financial penalty was imposed. The Final Decision also sets out a financial penalty levied against the Company in the sum of RM975,829.14.

The CAT on 2 September 2022 unanimously allowed the appeals filed by PIAM and the insurers. The MyCC's final decision dated 14 September 2020 is thus set aside.

On 6 December 2022, the Company has been informed that MyCC has applied to the High Court to obtain leave (permission) to commence judicial review proceedings against the CAT's decision.

The Company will pursue an objection at the ex parte leave stage in the High Court to appear and be heard as putative respondents whose Hearing date has been fixed on 8 May 2023.

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33. REGULATORY CAPITAL REQUIREMENTS

The Company is required to comply with the mandatory capital requirements prescribed in the RBC Framework issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at 31 December 2022 and 31 December 2021, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as prescribed under the RBC Framework is provided below:

	2022	2021
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings*	163,345,816	184,789,269
	<u>263,345,816</u>	<u>284,789,269</u>
Tier 2 Capital		
Eligible reserves*	8,150,055	9,808,781
	<u>8,150,055</u>	<u>9,808,781</u>
Deduction		
Amount deducted from capital	(10,263,439)	(4,479,593)
	<u>(10,263,439)</u>	<u>(4,479,593)</u>
Total capital available	<u>261,232,432</u>	<u>290,118,457</u>

*RM7.5 million of asset replacement reserve was reclassified from retained earnings to eligible reserves which is in-line with Insurance Companies Statistical System ("ICSS") Guidance Notes Part IV, Section 64, definition of general reserves.

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**34. CLASSIFICATION AND MEASUREMENT IMPACT APPLYING MFRS 9
 FINANCIAL INSTRUMENTS**

The following tables show the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 31 December 2022 and 31 December 2021.

(a) MFRS 139 measurement impact

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<u>AFS Financial Assets:</u>				
Corporate debt securities	-	1,000,001	-	1,000,001
Wholesale unit trust funds	70,113,877	75,983,686	187,739,631	204,976,796
	<u>70,113,877</u>	<u>76,983,687</u>	<u>187,739,631</u>	<u>205,976,797</u>
<u>Financial Assets at FVTPL:</u>				
Corporate debt securities	107,063,375	123,130,584	-	-
REITs	1,928,599	3,937,622	1,928,599	3,937,622
Equities securities	77,659,717	78,017,272	77,659,717	78,017,272
	<u>186,651,691</u>	<u>205,085,478</u>	<u>79,588,316</u>	<u>81,954,894</u>
<u>Amortised Costs Assets:</u>				
Loans and other receivables, excluding fixed and call deposits, prepayments and MMIP	5,929,679	837,459	875,549	837,459
Fixed and call deposits	76,346,212	88,651,586	67,158,534	79,125,541
Insurance receivables	29,613,077	21,620,371	29,613,077	21,620,371
	<u>111,888,968</u>	<u>111,109,416</u>	<u>97,647,160</u>	<u>101,583,371</u>
Retained earnings	172,737,534	188,722,686	170,845,816	184,789,269
AFS reserves	<u>(1,675,187)</u>	<u>(1,438,690)</u>	<u>155,747</u>	<u>2,564,473</u>

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**34. CLASSIFICATION AND MEASUREMENT IMPACT APPLYING MFRS 9
 FINANCIAL INSTRUMENTS (CONT'D.)**

(b) MFRS 9 measurement impact

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<u>Financial Assets at FVTPL:</u>				
Corporate debt securities	107,063,375	124,130,585	-	1,000,001
Wholesale unit trust funds	70,113,877	75,983,686	187,739,631	204,976,796
REITs	1,928,599	3,937,622	1,928,599	3,937,622
Equities securities	77,659,717	78,017,272	77,659,717	78,017,272
	<u>256,765,568</u>	<u>282,069,165</u>	<u>267,327,947</u>	<u>287,931,691</u>
<u>Amortised Costs Assets:</u>				
Loans and other receivables, excluding fixed and call deposits, prepayments and MMIP	5,929,679	837,459	875,549	837,459
Fixed and call deposits	76,346,212	88,651,586	67,158,534	79,125,541
Insurance receivables	29,613,077	21,620,371	29,613,077	21,620,371
	<u>111,888,968</u>	<u>111,109,416</u>	<u>97,647,160</u>	<u>101,583,371</u>
Retained earnings	<u>171,062,347</u>	<u>187,283,996</u>	<u>171,001,563</u>	<u>187,353,742</u>

MFRS 9 requires the Group and company to record expected credit losses ("ECL") on all of its financial assets measured at amortised cost or FVOCI. As the Group and Company intends to classify its financial assets as FVTPL, it is expected that the impacts of ECL will be minimal upon adoption.

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34. CLASSIFICATION AND MEASUREMENT OF IMPACT APPLYING MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

The following tables show the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 31 December 2022 and 31 December 2021 by their credit rating:

Credit risk

Group

	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Malaysian Government Securities RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2022								
Financial assets at FVTPL	32,113,145	60,105,580	5,091,636	-	-	5,591,175	153,864,032	256,765,568
Loans and other receivables, excluding fixed and call deposits, prepayments and MMIP	-	-	-	-	-	5,929,679	-	5,929,679
Fixed and call deposits	-	-	-	42,346,212	-	34,000,000	-	76,346,212
Insurance receivables	-	-	-	28,391,146	-	1,221,931	-	29,613,077
	<u>32,113,145</u>	<u>60,105,580</u>	<u>5,091,636</u>	<u>70,737,358</u>	<u>-</u>	<u>46,742,785</u>	<u>153,864,032</u>	<u>368,654,536</u>

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34. CLASSIFICATION AND MEASUREMENT OF IMPACT APPLYING MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

The following tables show the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 31 December 2022 and 31 December 2021 by their credit rating:

Credit risk (Cont'd.)

Group	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Malaysian Government Securities RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2021								
Financial assets at FVTPL	29,247,607	68,407,352	14,234,606	-	-	5,750,615	164,428,984	282,069,164
Loans and other receivables, excluding fixed and call deposits, prepayments and MMIP	-	-	-	-	-	837,459	-	837,459
Fixed and call deposits	-	-	-	54,651,586	-	34,000,000	-	88,651,586
Insurance receivables	-	-	33,974	20,204,042	-	1,382,355	-	21,620,371
	<u>29,247,607</u>	<u>68,407,352</u>	<u>14,268,580</u>	<u>74,855,628</u>	<u>-</u>	<u>41,970,429</u>	<u>164,428,984</u>	<u>393,178,580</u>

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34. CLASSIFICATION AND MEASUREMENT OF IMPACT APPLYING MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

The following tables show the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 31 December 2022 and 31 December 2021 by their credit rating:

Credit risk (Cont'd.)

Company

	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Malaysian Government Securities RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2022								
Financial assets at FVTPL	-	-	-	-	-	-	267,327,947	267,327,947
Loans and other receivables, excluding fixed and call deposits, prepayments and MMIP	-	-	-	-	-	875,549	-	875,549
Fixed and call deposits	-	-	-	33,158,534	-	34,000,000	-	67,158,534
Insurance receivables	-	-	-	28,391,146	-	1,221,931	-	29,613,077
	-	-	-	61,549,680	-	36,097,480	267,327,947	364,975,107

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34. CLASSIFICATION AND MEASUREMENT OF IMPACT APPLYING MFRS 9 FINANCIAL INSTRUMENTS (CONT'D.)

The following tables show the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 31 December 2022 and 31 December 2021 by their credit rating:

Credit risk (Cont'd.)

Company	AAA RM	AA RM	A RM	Malaysian Licensed Financial Institutions/ Insurers RM	Malaysian Government Securities RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2021								
Financial assets at FVTPL	1,000,000	-	-	-	-	-	286,931,690	287,931,690
Loans and other receivables, excluding fixed and call deposits, prepayments and MMIP	-	-	-	-	-	837,459	-	837,459
Fixed and call deposits	-	-	-	45,125,541	-	34,000,000	-	79,125,541
Insurance receivables	-	-	33,974	20,204,042	-	1,382,355	-	21,620,371
	<u>1,000,000</u>	<u>-</u>	<u>33,974</u>	<u>65,329,583</u>	<u>-</u>	<u>36,219,814</u>	<u>286,931,690</u>	<u>389,515,061</u>