

# Adapt and grow.

Directors' Report  
and Audited  
Financial  
Statements  
For the financial  
year ended  
31 December 2023

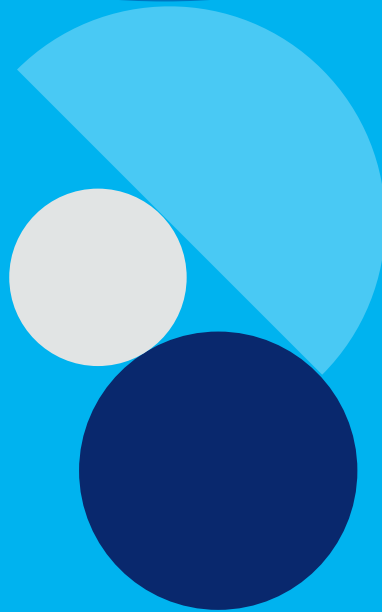




As the world around us continues to undergo dramatic change, Zurich is focused on responding positively and practically to the social, economic and environmental challenges we all face.

The ability to adapt is essential if we want to grow and thrive , as a business and for our customers, partners and people - now and in the future.

At Zurich, we draw on our heritage, expertise and track record of high performance to see things differently and drive the business forward.



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201701035345 (1249516-V)

**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
**(Incorporated in Malaysia)**

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## **ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (Incorporated in Malaysia)

### **CORPORATE GOVERNANCE STATEMENT**

#### **Introduction**

Zurich General Insurance Malaysia Berhad (“ZGIMB” or “the Company”) is committed to effective corporate governance for the benefit of its shareholder, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors (“the Board”) is satisfied that the Company has complied with all prescriptive requirements of and adopts the Corporate Governance policy document issued by Bank Negara Malaysia (“BNM”). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Company.

#### **The Board**

The Board is responsible for the overall governance of the Company by ensuring strategic guidance, internal control, risk management and reporting procedures are in place. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure compliance with relevant rules, regulations, directives and guidelines in addition to adopting best practices and acting in the best interest of its shareholders.

#### **The Board Charter**

The Board Charter sets out the Board’s roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles prescribed under the Policy Document on Corporate Governance issued by BNM. The Board regularly reviews the Charter and ensures it remains consistent and relevant to the Board’s objectives and responsibilities, and all regulations/laws in connection thereto.

#### **Composition of the Board**

The composition of the Board since the date of the last report is as follows:

<b>Name of Directors</b>	<b>Designation</b>
Choy Khai Choon	Chairman (Non-Independent Non-Executive Director)
Timothy William Howell	Member (Executive Director)
Datin Seri Sunita Mei-Lin Rajakumar	Member (Independent Non-Executive Director)
Philip Seah Cheng Chua	Member (Independent Non-Executive Director)
Kuah Kock Heng	Member (Independent Non-Executive Director)

The Board comprises majority Independent Non-Executive Directors, each from diverse background and qualification and bring a wide range of professional skills and operational experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company. The roles and activities of the Chairman and Chief Executive Officer (“CEO”) are distinct and separate. The Company sets the tenure limit of its independent directors to a maximum of nine years.



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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Roles and Responsibilities of the Board**

The Board sets the strategic direction and vision of the Company. It has an overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of long-term implications of the Board's decisions on the Company and its customers, officers and general public. In fulfilling this role, the Board shall:

- a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- b) oversee the selection, performance, remuneration, succession plans of the Chief Executive Officer, control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operation of the Company;
- c) oversee the implementation of the Company's governance framework and Internal Control Framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- d) together with Senior Management, promote a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- e) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- f) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- g) promote timely and effective communication between the Company and BNM and other relevant regulatory bodies on matters affecting or that may affect the safety and soundness of the Company.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors**

**Choy Khai Choon**

Malaysian, Male

Non-Independent Non-Executive Director / Chairman

Mr. Choy Khai Choon was appointed as Independent Non-Executive Director and Chairman of the Board of Directors of the Company on 5 August 2019 and 1 January 2021 respectively. Subsequently, he was redesignated as Non-Independent Non-Executive Director on 5 August 2022. Mr. Choy is a member of Nomination and Remuneration Committee, Audit Committee and Risk Management and Sustainability Committee of the Company.

Mr. Choy graduated with a Bachelor of Commerce degree from The University of New South Wales, Australia and holds a Master in Business Administration (MBA) from Oklahoma City University, USA. Mr. Choy is a Member of the Malaysian Institute of Accountants and a Fellow of the Australian Certified Public Accountants.

Mr. Choy served as the President and Chief Executive Officer (“CEO”) of Cagamas Berhad from year 2006 to 2012 and was appointed director of Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad, Cagamas HKMC Berhad and Cagamas SRP Berhad.

Prior to joining Cagamas Berhad, Mr. Choy held key positions in leading financial institutions in the areas of financial management, strategic planning and business development. Key roles held include serving as Regional Finance / Planning Director of Aviva Insurance Asia, CEO of Morley Fund Management Ltd, Aviva Insurance Group, Singapore and Senior General Manager, Group Head of RHB Bank Berhad.

Mr. Choy is currently the Chairman and Non-Independent Non-Executive Director of Zurich Life Insurance Malaysia Berhad and Kenanga Investors Berhad. Mr. Choy is also an Independent Director of Hap Seng Plantations Holdings Berhad, MSM Malaysia Holdings Berhad and Asian Banking School Sdn Bhd. He is, additionally, the Non-Independent Non-Executive Director of Kenanga Investment Bank Berhad. He also sits on the Board of Bond & Sukuk Information Platform Sdn Bhd, a wholly owned subsidiary of the Securities Commission. Mr. Choy is also Member of Labuan Financial Services Authority.

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### **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

#### **Profile of Directors (continued)**

##### **Timothy William Howell**

Australian, Male  
Executive Director

Mr. Timothy William Howell ("Mr. Tim Howell") was appointed as an Executive Director of the Company on 1 November 2021.

Mr. Tim Howell is a Fellow of the Institute of Actuaries of Australia and holds Bachelor of Commerce (Actuarial Studies) and Bachelor of Science (Computer Science). He is a graduate from the Australian Institute of Company Directors.

Mr. Tim Howell has more than 17 years' experience in the financial services sector, of which more than 10 years are with Zurich in finance, actuarial and proposition leadership positions. In November 2019, Mr. Tim Howell assumed the position as Head of Finance / Chief Financial Officer ("CFO"), Asia Pacific ("APAC"). In his current role, Mr. Tim Howell is accountable for delivering the financial performance of the APAC region and is focused on supporting the APAC Business Units to achieve their strategic and financial objectives.

From June 2017 until November 2019, Mr. Tim Howell was Head of Zurich Propositions for Zurich Financial Services Australia (Life & Investments) with responsibility for developing retail risk and investment customer propositions. During this time the proposition function saw strong success with substantial market share growth, innovative digital projects delivered and a clear focus on customer solutions.

Mr. Tim Howell's previous roles with Zurich included Chief Life Actuary from 2015 to 2017 with responsibility to lead the actuarial function including actuarial reserves and reporting (including the Financial Condition Report), capital management, pricing and product actuarial advice, actuarial systems and reinsurance management. He was also the Director of Actuarial Service Centre Asia Pacific ("ASCAP") and was based in Malaysia from 2012 to 2015 with responsibility for building, developing and leading a team of actuarial professionals to support the life actuarial reporting for business units across the Asia Pacific region. Based on his previous working experiences in Malaysia, he would be acquainted with the local working environment.

Before joining Zurich, Mr. Tim Howell was with Ernst & Young, Tower Australia Ltd (currently known as TAL) and Commonwealth Securities Ltd in actuarial and analyst roles.

Mr. Tim Howell also serves as a Board Member for Zurich Group entities, namely, Zurich Life Insurance Malaysia Berhad, Zurich Services (Hong Kong) Limited, Cover-More Group Limited, Zurich Travel Solutions Pty Limited and Zurich Life Insurance Japan Company Ltd.



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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Datin Seri Sunita Mei-Lin Rajakumar**

Malaysian, Female  
Independent Non-Executive Director

Datin Seri Sunita Mei-Lin Rajakumar was appointed as an Independent Non-Executive Director of the Company on 2 July 2018. She is the Chairperson of the Audit Committee, a member of Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of the Company.

Datin Seri Sunita graduated from the University of Bristol in 1990 with a degree in Law (LLB Hons) and qualified as a Member of the Institute of Chartered Accountants of England and Wales in February 1994. Her working experience included 4 years in Ernst & Young, London, and 6 years at RHB Investment Bank Berhad, Kuala Lumpur, before she established her own firm, Artisan Encipta (M) Sdn Bhd, to manage a government-owned foreign technology venture fund from 2002 to 2008. Since then, she has consulted on national competitiveness by improving national innovation ecosystems.

Currently, Datin Seri Sunita is the Chairperson and Founder of Climate Governance Malaysia which is the country chapter of the World Economic Forum's Climate Governance Initiative, a Fellow of the Institute of Corporate Directors Malaysia, promotes gender diversity on boards with the 30% Club, is a member of the Global Advisory Board of Nottingham University's School of Business and sit on the External Advisory Committee for Sunway University's Master in Sustainable Development Management, and also sit on the Steering Committee Member & Lead for the CEO Action Network, an industry led initiative to increase sustainability and climate resilience.

She is currently the Chairman and Independent Non-Executive Director of Dutch Lady Milk Industries Berhad. She is also the Independent Non-Executive Director of Petronas Chemicals Group Berhad, HSBC Bank Malaysia Berhad and MCIS Insurance Berhad. She also serves as a trustee for 6 charities.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Philip Seah Cheng Chua**

Singaporean, Male  
Independent Non-Executive Director

Mr. Philip Seah Cheng Chua was appointed as an Independent Non-Executive Director of the Company on 26 August 2019. He is the Chairman of the Risk Management and Sustainability Committee and is also a member of Audit Committee, and Nomination and Remuneration Committee of the Company.

Mr. Philip Seah has 40 years of industry experience with Prudential Singapore and Prudential Corporation Asia, 12 years in sales as an agent and agency manager and 28 years in senior management positions in Singapore, Malaysia and Philippines. He was also involved in various country operations in China, Thailand, Vietnam, India and Indonesia.

In 1990, Mr. Philip Seah was offered a senior management role as the Chief Agency Officer of Prudential Singapore. He subsequently became the Chief Distribution Officer when Prudential Singapore partnered with Standard Chartered Bank for Bancassurance. In 2004, Mr. Philip Seah joined Prudential Corporation Asia and relocated to Hong Kong with his family to serve as Director of Agency Development. In January 2006, he was appointed as the Deputy Chief Executive Officer (“CEO”) of Prudential Philippines to succeed the retiring CEO. However, mid-2006, he returned to Prudential Singapore as CEO, a position he held until the end of 2010.

In January 2011, Mr. Philip Seah was tasked with the creation of the Regional Agency Office to help other country operations in the development and progression of their Agency Distribution. He was appointed as the Regional Chief Agency Officer of Prudential Corporation Asia. In September 2012, he was asked to be the CEO of Prudential Malaysia, a position he held until October 2015. Mr. Philip Seah then returned to Singapore to again serve as the CEO of Prudential Singapore from October 2015 until December 2016. Thereafter, he served as a Senior Advisor of Prudential Corporation Asia until his retirement in January 2018.

Mr. Philip Seah co-founded PolicyXchange Pte. Ltd., Singapore (“PXC”) and is an existing Director of PXC.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Kuah Kock Heng**

Malaysian, Male  
Independent Non-Executive Director

Mr. Kuah Kock Heng was appointed as an Independent Non-Executive Director of the Company on 5 May 2021. He is the Chairman of the Nomination and Remuneration Committee and is also a member of Audit Committee, and Risk Management and Sustainability Committee of the Company.

Mr. Kuah graduated with a Bachelor of Mechanical Engineering degree from the University of Leeds, United Kingdom and holds a Master in Business Administration (MBA) from the University of Sheffield, United Kingdom. He also attended the Senior Executive Program of Columbia Business School in New York.

Mr. Kuah has more than 25 years of senior leadership experience, having led multiple corporations in the automotive, finance and industrial equipment sector in Malaysia with presence across ASEAN and China. He served as President of UMW Toyota Malaysia and Toyota Capital Malaysia as well as Executive Director of UWM Industrial Equipment. He led the Crisis Management Team during the Global Financial Crisis in 2008 and Toyota Global Quality recall in 2010.

He has a strong track record in growing emerging businesses into market leaders, leading expansion into new markets, developing new product lines and growing customer segments. Throughout every stage of his career, he has extensive experience establishing and managing long-term sustainable relationships and partnerships with key stakeholders.

Mr. Kuah has held a number of diverse roles in Toyota operations. He was the Executive Director of UMW Industrial Equipment Division covering Malaysia, Singapore, Vietnam, Brunei and China (Shanghai) from 1997 to 2007. He was the President of UWM Toyota Motor managing the automotive business in Malaysia covering assembly, sales & marketing, after-sales service, finance, human resource and strategic planning functions of Toyota and Lexus between 2008 and 2010. Subsequently, he was the President of Toyota Capital Malaysia and was responsible for automotive financing business in Malaysia, working closely with financial institutions, ratings agency and regulators and operations until he retired in 2019.



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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Directors' Training**

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programmes attended by the Directors during the financial year ended 31 December 2023 included areas of leadership, governance, risk management, finance, investment, cybersecurity information technology, sustainability, climate change and insurance-related matters.

**Board Meetings**

The Board is scheduled to meet at least four times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2023, the Board met nine times. All the Directors satisfied the minimum attendance of 75% of the Board Meetings.

The number of meetings attended by each member of the Board is as follows:

<b>Name of Directors</b>	<b>No. of Board Meetings</b>
	<b>Attended</b>
Choy Khai Choon, Chairman	9/9
Timothy William Howell	9/9
Datin Seri Sunita Mei-Lin Rajakumar	9/9
Philip Seah Cheng Chua	9/9
Kuah Kock Heng	9/9

**Board Committees**

The Board delegates specific responsibilities to the Board Committees. The Board Committees are Audit Committee, Nomination and Remuneration Committee, and Risk Management and Sustainability Committee. The Board Committees are chaired by an Independent Non-Executive Director.

Each Board Committee operates within defined terms of reference. The Board Committees have the authority to examine particular issues, but they report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matters rest with the Board.

**Audit Committee ("AC")**

The principal objectives of the AC are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The AC meets regularly with Senior Management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Audit Committee (“AC”) (continued)**

The AC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of the AC are:

- (i) To approve the internal auditors’ audit plan, review the adequacy of the scope, functions, resources and competency and ensure that it has the necessary authority to carry out its work;
- (ii) To review the results of the internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
- (iii) To consider the appointment of the external auditors, the audit fees and any question of resignation or dismissal;
- (iv) To discuss with the external auditors before the audit commences, the nature and scope of audit;
- (v) To provide assurance that the financial information presented by Management is relevant, reliable and timely;
- (vi) To review the Compliance Policy and oversee its implementation, establish the Compliance function, review and evaluate the effectiveness of the overall management of compliance risk;
- (vii) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
- (viii) To determine the quality, adequacy and effectiveness of the Company’s internal control environment.

The AC meets at least once every quarter, or more frequently as circumstances dictate. For the financial year ended 31 December 2023, the AC held four meetings to review the Company’s financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The members and number of meetings attended by each member of the AC is as follows:

<b>Members</b>	<b>No. of AC Meetings Attended</b>
Datin Seri Sunita Mei-Lin Rajakumar, Chairman	4/4
Choy Khai Choon	4/4
Philip Seah Cheng Chua	4/4
Kuah Kock Heng	4/4

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Audit Committee (“AC”) (continued)**

During the financial year ended 31 December 2023, apart from reviewing the quarterly results and annual financial statements, the AC also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

**Nomination and Remuneration Committee (“NRC”)**

The NRC assists the Board in fulfilling its fiduciary responsibilities relating to assessment of the nomination and selection process of Board members and Senior Management, review of the remuneration framework of Board members and Senior Management, annual review of the effectiveness of the Board, Board Committees, individual Directors and the Chief Executive Officer. In considering the right candidate for appointment to the Board, the NRC takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfill its fiduciary responsibilities.

The principal duties and responsibilities of the NRC as per the Terms of Reference approved by Board are:

- (i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, the Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company;
- (ii) To recommend specific remuneration packages for Directors, the Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company; and
- (iii) To review and assess the nomination and selection of the Board, Senior Management (including the Chief Executive Officer and expatriates) and the Company Secretary, the performance of the Board and Chief Executive Officer, fit and proper assessments, succession planning and training and development needs.

The members and number of meetings attended by each member of the NRC for the financial year ended 31 December 2023 is as follows:

<b>Members</b>	<b>No. of NRC Meetings Attended</b>
Kuah Kock Heng, Chairman	7/7
Choy Khai Choon	7/7
Datin Seri Sunita Mei-Lin Rajakumar	7/7
Philip Seah Cheng Chua	7/7



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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Risk Management and Sustainability Committee (“RMSC”)**

The RMSC reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also reviews risk management policies and action plans, and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows:

- (i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
- (iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;
- (iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) To provide oversight over sustainability-related matters which include review of the Company's sustainability strategy and objectives, review of the Company's approach and conduct concerning sustainability, assessing progress against agreed actions at least annually, review of legislative and regulatory developments and reporting requirements relating to sustainability, review of the proposal to the Board for approval targets on environmental, social and corporate governance (“ESG”) matters which have a material impact on business strategy, underwriting or business performance; and
- (vi) To provide oversight over technology-related matters which include review of technology frameworks, review and recommendation of technology risk appetite and risk tolerance for technology related events, ensure key performance indicators and forward looking risk indicators are in place, ensure adequacy of IT and cybersecurity strategic plans and effective implementation of sound and robust technology risk management framework (“TRMF”) and cyber resilience framework (“CRF”) and ensure that risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive.

The members and number of meetings attended by each member of the RMSC for the financial year ended 31 December 2023 is as follows:

<b>Members</b>	<b>No. of RMSC Meetings</b>	
	<b>Attended</b>	
Philip Seah Cheng Chua, Chairman		4/4
Choy Khai Choon		4/4
Datin Seri Sunita Mei-Lin Rajakumar		4/4
Kuah Kock Heng		4/4

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Other Key Elements of Risk Management and Internal Control**

**Organisational structure and management accountability**

The Company has an organisation structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits which are documented in the Company's internal control procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company has, in any circumstances, conflicts of interest referred to in Part B, paragraph 14 of BNM/RH/PD 029-9 Corporate Governance as issued by BNM and paragraph 58 of the Financial Services Act 2013 ("FSA").

**Corporate independence**

The Company has complied with the requirements of BNM's Policy Document on Related Party Transactions (BNM/RH/GL 018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and, where required, the Board's prior approval for the transaction was obtained. All material related party transactions have been disclosed in the financial statements.

**Internal controls**

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interests.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action is taken in a timely manner, where necessary. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the senior management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

Zurich promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across Zurich Malaysia. Management is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the second line of defense also forms part of the control life cycle.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Other Key Elements of Risk Management and Internal Control (continued)**

**Public accountability**

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

**Risk management**

The RMSC meets regularly, at least four times a year, to review risk management reports of the Company. The RMSC has categorised risks into six risk types affecting the Company namely (i) Property and Casualty Risk, (ii) Market Risk, (iii) Credit Risk, (iv) Operational Risk, (v) Strategic, Reputation Risk and Sustainability Risk and (vi) Capital Management and Liquidity Risk.

The Company has established, within its risk management framework, a structured approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity.

**Financial reporting**

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

**Remuneration policy**

The Company's remuneration policy is based on Zurich Insurance Group Limited's ("ZIGL") remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides for competitive total remuneration opportunities to attract, retain, motivate and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board of Directors reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board of Directors may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.



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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Other Key Elements of Risk Management and Internal Control (continued)**

**Remuneration policy (continued)**

With respect to the regular review and the oversight of the implementation of the Zurich's Remuneration Rules ("ZRR") issued by the Group, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

The guiding principles of the remuneration philosophy as set out in the ZRR are as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high-performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used to support remuneration decisions.
- Variable remuneration awards are linked to key performance factors which can include the performance of the Company, business units, functions as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP"), General Insurance Performance Plan ("GIPP") and Long Term Incentive Plan ("LTIP") are forms of variable remuneration which are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with the Company's long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market practices.
- Reward decisions are made on basis of merit – performance, skills, experience, qualifications and potential – and are free from discrimination towards or against particular diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal equity, external competitiveness and legal requirements.

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(Incorporated in Malaysia)

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Other Key Elements of Risk Management and Internal Control (continued)**

**Remuneration policy (continued)**

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed, determined by the scope and complexity of the role and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be taken into account are the individual's overall experience and performance.
- The variable remuneration architecture is aligned with the achievement of the key financial objectives and the execution of the business strategy, Enterprise Risk Management Framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board of Directors. The incentive plans are discretionary and can be terminated, modified, changed, or revised, at any time, except for previously awarded grants. A claw-back framework is in place, however, for members of the Executive Committee and, in some jurisdictions, may apply for additional STIP and LTIP participants based on local legal and regulatory requirements to allow for recovery, forfeiture and/or claw-back, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP, GIPP and LTIP participants.
- Variable remuneration is structured such that, on average, there is a higher weighting towards the longer-term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile for key risk takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

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## **ZURICH GENERAL INSURANCE MALAYSIA BERHAD**

**(Incorporated in Malaysia)**

### **SUSTAINABILITY STATEMENT**

The Company is part of the Zurich Group which has the ambition to become one of the world's most environmentally responsible and impactful businesses in the world.

Zurich Group has intensified its focus on the UN Global Business Ambition Pledge to limit global temperature rise to 1.5°C. Zurich Group has been embedding sustainability into every fibre of the Company and has been operating as a carbon-neutral business since 2014. In 2020, Zurich Group has become one of the first large institutional investors to prioritise the goals – rather than the monetary amount. Zurich Group has been recognized as the top performer in the insurance industry by the Dow Jones Sustainability Index ("DJSI"). This acknowledgment is a result of Zurich's significant improvements in all three aspects of the ranking: governance and economic, environmental, and social.

Locally, Zurich Malaysia has in place a Sustainability Policy which sets out the governance and operational requirements relating to sustainability risks and initiatives taken by the in-scope entities. Zurich Malaysia, as a part of the Group, is fully dedicated to playing a significant role as an insurance and takaful group, investor, employer, and contributor to society.

Sustainability is embedded in Zurich's governance. Zurich adopts transparent risk communication via both bottom-up and top-down approach of reporting to and from the RMSC/ Board at respective entities of Zurich Malaysia. The Sustainability Council ("SC") consists of CEOs and senior executives who are direct reports of the CEOs. The SC ensures that Zurich's approach to sustainability is effectively integrated in the way we do business and enables Zurich to live up to its code of conduct and purpose & values.

The SC is supported by Sustainability Teams (Working Group), consisting of internal working groups established to drive respective sustainability agenda within the company. Externally, several regulatory bodies and industry-focused working groups have been established to facilitate knowledge sharing and foster capacity building among industry stakeholders. Within each of these working groups, Zurich employees actively engage in discussions and, when relevant, bring valuable insights and information back to the company.

### **Zurich's Sustainability Focus Area and Strategies**

In accordance with Zurich Group's Sustainability Framework, Zurich's sustainability ambitions are grouped across three focus areas – Planet, Customers and People with strategies set for each of the focus areas.

The three (3) focus areas are as follows:-

#### **1. Planet Sustainability**

Climate change is the most pressing challenge of our time and Zurich is committed to tackling it through best conduct with every means available, as an insurer, an investor and an employer.

Zurich will focus on achieving net-zero future across its business – underwriting, investments and operations, strengthening the resilience of our business and society in face of climate impacts, while also deepening our understanding of nature related risks and opportunities and use our position as insurer and investor to benefit nature and support customers to do the same.

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## **ZURICH GENERAL INSURANCE MALAYSIA BERHAD** (Incorporated in Malaysia)

### **SUSTAINABILITY STATEMENT (CONTINUED)**

#### **Zurich's Sustainability Focus Area and Strategies (continued)**

The three (3) focus areas are as follows:- (continued)

#### 2. Customer Sustainability

Our purpose is to support our customers' transformation to a sustainable future across the insurance value chain. We care for what matters to our customers by fostering empathetic relationships & ethical stewardship of customer data and scaling solutions that shall empower our customers and make them feel confident that they are doing their best to protect themselves, their families, their businesses, and our world.

In doing so, we position our positive impact as key differentiator that can educate and support our customers in their journey towards financial resilience.

#### 3. People Sustainability

As work sustainability is being prioritised, Zurich practices good self-governance by enabling life-long employability for our people, while delivering on customer and societal needs. Committed with a set of principles to prioritise capacity building to support our employees to grow their career and develop new skills while refreshing their existing ones, protect their physical, mental, financial, and social wellbeing as well as embrace diversity, equity, inclusion and belonging ("DEIB"), Zurich continues to grow and aims to create values-aligned working environment.

These three focus areas are intertwined. Innovative underwriting and claims solutions offer positive results for customers that can also benefit people and planet. Through responsible investment, we can grow the positive impact of our invested assets. Strategic community investment helps build a brighter future for the most vulnerable.

#### **Zurich Community Investments**

Community investment is a strategic commitment made by Zurich to foster positive social and economic change within the communities. It goes beyond traditional philanthropy, aiming to create sustainable and lasting impact by addressing the unique needs and aspirations of local communities.

#### 1. Z Zurich Foundation ("ZZF")

The Z Zurich Foundation is a charitable foundation funded by various members of the Zurich Insurance Group. It is the main vehicle by which Zurich delivers on its global community investment strategy. It aligns with Zurich's sustainability agenda, purpose & values, and culture.

The Z Zurich Foundation focuses on adapting to climate change, improving mental wellbeing, and enabling social equity. These increasingly urgent, complex issues have far-reaching impacts on individuals, communities, and society as a whole.

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**SUSTAINABILITY STATEMENT (CONTINUED)**

**Zurich Community Investments (continued)**

2. Global Urban Climate Resilience Program ("UCRP")

On 1 January, 2023, Z Zurich Foundation launched the Global Urban Climate Resilience Program ("UCRP") in nine countries around the world namely, Australia, Columbia, Ecuador, Italy, Spain, Turkey, the UK, the US and Malaysia. This was built on ZZF's ongoing climate change work with the Zurich Flood Resilience Alliance in rural environments, with the intention to expand into urban spaces. The objective is to build sustainable, resilient communities that can withstand, recover from, and thrive in the face of climate related disasters.

For Malaysia, we aim to be at the forefront of bringing impactful changes in the adaptation of systems for both Kuala Lumpur and Malacca, with two communities identified in each city ensuring enhanced support for those who are vulnerable to climate change.

**Climate Action**

Since 2021, Climate Month has been held in September on an annual basis to increase employees' awareness on the devastating effects of climate change and rally a call to action to combat climate change. Activities are organised to support capacity building and instilling care for the environment and nature.

In 2022, the Company collaborated with Tropical Rainforest Conservation and Research Centre ("TRCRC") to undertake and accelerate conservation efforts to save dipterocarps, an important family of timber trees, from extinction.

The combined efforts of Zurich Malaysia and TRCRC encompass the establishment of two 1.5-hectare Tropical Rainforest Living Collection ("TRL") Plots housing a nursery for germination of seedlings and hardening the young plants before replanting, in Merisuli, on a gazetted forest reserve in Lahad Datu, Sabah. These plots are critical for the gathering of data and cultivation of endangered, rare, and threatened ("ERT") trees under a controlled environment to prevent their extinction. In addition, 26.8 hectares in Merisuli will be actively reforested with ERT dipterocarps by 2025, expanding TRCRC's existing 224-hectare site in the Ulu Segama-Malua Sustainable Forest Management Project. Zurich Malaysia's support will provide continuity in the maintenance, replanting, census and monitoring work.

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**SUSTAINABILITY STATEMENT (CONTINUED)**

**Zurich Community Investments (continued)**

**Digital Transformation**

The 2020 crisis boosted digitalisation and technology use and created a need to build trust in digital society. As digital skills become more important, we need to shape a better digital world with high-quality practices for cyber security and data management. Besides taking care of data in a responsible way as stated in our Data Commitment, the Company wants to help society and customers, to improve cyber security through risk education, prevention and insurance solutions.

With the launch of notification of claims through WhatsApp, the Company is able to deliver an improved service to its customers, where customers are able to get immediate attention on their claims. The Company continues to look for possibility of insuring the transition while encouraging more sustainable lives so that the theme of thriving today means flourishing tomorrow can be achieved.

**Decent Work and Economic Growth**

Zurich Group decided to enhance sustainability and well-being in our offices worldwide in 2021. This resulted in the launch of a Sustainable Buildings Program and creation of a Sustainability Alignment Generating Exercise ("SAGE") tool. SAGE uses external best practices to evaluate our buildings, both from an environmental and well-being point of view. In 2022, 50 offices globally were assessed including Zurich Malaysia Head Office (KL Eco City) and Plaza Zurich Kuala Lumpur, both of which now, meet the standards and are certified under SAGE.

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2023.

**PRINCIPAL ACTIVITY**

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

**FINANCIAL RESULTS**

	<b>RM'000</b>
Net profit for the financial year	<u>143,932</u>

**RESERVES AND PROVISIONS**

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

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

**DIVIDEND**

The dividend paid or declared since the end of the previous financial year were as follows:

	<b>RM'000</b>
Final single tier gross dividend of 17 sen per share on 150,000,002 ordinary shares for the financial year ended 31 December 2022, paid on 28 June 2023	<u>25,000</u>

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

**SHARE CAPITAL**

No new ordinary shares were issued during the financial year.

**DIRECTORS OF THE COMPANY**

Directors who served since the date of the last report to the date of this report or who were appointed during the financial year are as follow:

<b>Name of Directors</b>	<b>Designation</b>
Choy Khai Choon	Chairman, Non-Independent Non-Executive Director
Timothy William Howell	Executive Director
Datin Seri Sunita Mei-Lin Rajakumar	Independent Non-Executive Director
Philip Seah Cheng Chua	Independent Non-Executive Director
Kuah Kock Heng	Independent Non-Executive Director

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' BENEFITS**

Since the end of previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 24(a) to the financial statements) by reason of a contract made by the Company or a related corporation 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.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**INDEMNITY AND INSURANCE COST**

The Company, through its ultimate holding corporation, Zurich Insurance Group Ltd. ("ZIGL"), has maintained a Directors' and Officers' Liability Insurance ("Group's D&O Insurance") on a group basis up to an aggregate limit of USD350 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed a Directors' and Officers' Liability Insurance with a local insurer up to the deductible amount under the Group's D&O Insurance. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total amount paid and payable for indemnity insurance affected for the Directors of the Company for the financial year amounted to RM15,077.95.

There was no indemnity given to, or insurance effected for, the auditors of the Company during and at the end of the financial year.

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, particulars of interests of a Director who held office at the end of the financial year in shares in the ultimate holding company, Zurich Insurance Group Ltd, are as follows:

	<u>Number deferred/restricted/performance share units</u>				
	<u>At</u>	<u>Granted/ Reinvested</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>At</u>
	<u>01.01.2023</u>	<u>dividends</u>			<u>31.12.2023</u>
<u>Unit in Zurich Insurance Group Ltd.</u>					
Direct interest					
Timothy William Howell	1,138	713	(628)	-	1,223



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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS (CONTINUED)**

Zurich Insurance Group Ltd. ("ZIGL") has designed a Group Long Term Incentive Plan ("the Plan") for the Group's most senior executives for the accomplishment of key Group performance measures. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

These performance-based target shares provide the holders with the right to purchase common stock of ZIGL at an exercise price set at the market price of common shares on the Swiss Stock Exchange on the day prior to the date of grant.

Other than the above, none of the other Directors in office at the end of the financial year held any interests in shares in, or debentures of, the Company or its related corporations during the financial year.

By virtue of the above Director's interests in the shares of the ultimate holding company, he is deemed to have an interest in the shares of the Company to the extent that the ultimate holding company has interest.

**DIRECTORS' REMUNERATION**

The Directors' remuneration paid and payable by the Company were as follow.

	<b>2023</b>
	<b>RM'000</b>
<b>Directors of the Company</b>	
Non-executive directors	
Fees	442
Other emoluments	145
	<u>587</u>

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that there was adequate provision for its insurance liabilities in accordance with the requirements of MFRS 17 *Insurance Contract* issued by the Malaysian Accounting Standards Board ("MASB").
  - (ii) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure 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 an amount which they might be expected so to realise.

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**OTHER STATUTORY INFORMATION (CONTINUED)**

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS' REMUNERATION**

The auditors' remuneration of the Company during the financial year was RM343,000.

**IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES**

The Directors regard Zurich Holdings Malaysia Berhad, a company incorporated in Malaysia, as the immediate holding company of the Company. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd. respectively. Both companies are incorporated in Switzerland.

**AUDITORS**

The auditors, Ernst & Young PLT (LLP0022760-LCA & AF 0039), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 20 March 2024.



CHOY KHAI CHOON  
DIRECTOR



DATIN SERI SUNITA MEI-LIN RAJAKUMAR  
DIRECTOR

Kuala Lumpur  
20 March 2024

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Choy Khai Choon and Datin Seri Sunita Mei-Lin Rajakumar, being two of the Directors of Zurich General Insurance Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 144 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and the cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 20 March 2024.

  
CHOY KHAI CHOON  
DIRECTOR

  
DATIN SERI SUNITA MEI-LIN RAJAKUMAR  
DIRECTOR

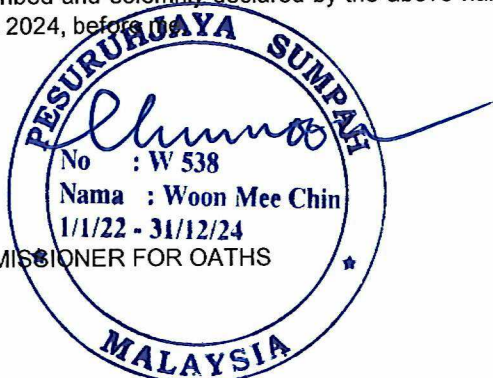
Kuala Lumpur  
20 March 2024

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

I, Chin Yuen Leng, being the officer primarily responsible for the financial management of Zurich General Insurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 144 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.

  
CHIN YUEN LENG

Subscribed and solemnly declared by the above named Chin Yuen Leng at Kuala Lumpur in Malaysia on 20 March 2024, before me

  
COMMISSIONER FOR OATHS

22A, LORONG ARA KIRI 2  
LUCKY GARDEN, BANGSAR  
59100 KUALA LUMPUR

201701035345 (1249516-V)

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

**Report on the audit of the financial statements**

### *Opinion*

We have audited the financial statements of Zurich General Insurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 30 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for opinion*

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

### *Independence and other ethical responsibilities*

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

### *Information other than the financial statements and auditors' report thereon*

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

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



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**Independent auditors' report to the member of  
Zurich General Insurance Malaysia Berhad (cont'd.)**

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

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

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

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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**Independent auditors' report to the member of  
Zurich General Insurance Malaysia Berhad (cont'd.)**

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

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

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

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

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Independent auditors' report to the member of  
Zurich General Insurance Malaysia Berhad (cont'd.)

**Other matters**

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



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



Brandon Bruce Sta Maria  
No. 02937/09/2025 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
20 March 2024



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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**STATEMENT OF FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
<b>ASSETS</b>				
Property, plant and equipment	5	11,941	11,984	13,683
Right-of-use assets	6	5,844	10,859	6,372
Intangible assets	7	27,657	30,527	33,311
Non-current assets classified as held-for-sale	8	2,986	2,986	3,116
Investments	9	2,275,387	1,984,979	1,682,921
Reinsurance contract assets	11	297,082	319,993	301,485
Other receivables	12	47,548	48,754	52,673
Tax recoverable		2,556	4,929	1,050
Deferred tax assets	13	1,920	11,829	8,510
Cash and cash equivalents		80,626	79,386	126,744
<b>Total assets</b>		<b>2,753,547</b>	<b>2,506,226</b>	<b>2,229,865</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	14	150,000	150,000	100,000
Retained earnings	15	501,459	406,123	310,358
Capital contribution reserve	15	224,792	224,792	224,792
Other reserves	15	(355)	(23,696)	(16,458)
<b>Total equity</b>		<b>875,896</b>	<b>757,219</b>	<b>618,692</b>
Insurance contract liabilities	16	1,697,640	1,570,257	1,457,666
Lease liabilities	17	5,775	10,785	6,454
Other liabilities	18	174,236	167,965	147,053
<b>Total liabilities</b>		<b>1,877,651</b>	<b>1,749,007</b>	<b>1,611,173</b>
<b>Total equity and liabilities</b>		<b>2,753,547</b>	<b>2,506,226</b>	<b>2,229,865</b>

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM'000	2022 RM'000 Restated
Insurance revenue		980,468	930,559
Insurance service expense		<u>(722,231)</u>	<u>(710,669)</u>
<b>Insurance service result before reinsurance contracts held</b>	19	<b><u>258,237</u></b>	<b><u>219,890</u></b>
Allocation of reinsurance premium		(153,717)	(143,426)
Amount recoverable from reinsurers for incurred claims		<u>(2,443)</u>	<u>22,575</u>
<b>Net expense from reinsurance contracts held</b>	19	<b><u>(156,160)</u></b>	<b><u>(120,851)</u></b>
<b>Insurance service result</b>	19	<b>102,077</b>	<b>99,039</b>
Investment income	20	84,967	62,886
Net fair value gains on financial assets at fair value through profit or loss		32,907	-
Realised gains/(losses)	21	6,065	(839)
Impairment loss on financial assets		<u>(690)</u>	<u>(7,919)</u>
<b>Total investment income</b>		<b><u>123,249</u></b>	<b><u>54,128</u></b>
Insurance finance expenses for insurance contracts issued	22	(37,426)	(26,214)
Reinsurance finance income for reinsurance contracts held	23	<u>10,271</u>	<u>7,662</u>
<b>Net insurance financial result</b>		<b><u>(27,155)</u></b>	<b><u>(18,552)</u></b>
Other expenses	24	(31,241)	(23,235)
<b>Profit before taxation</b>		<b>166,931</b>	<b>111,380</b>
Taxation	25	<u>(22,999)</u>	<u>(15,615)</u>
<b>Net profit for the financial year</b>		<b><u>143,932</u></b>	<b><u>95,765</u></b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (SEN)</b>	27	<b><u>95.95</u></b>	<b><u>73.67</u></b>

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM'000	2022 RM'000 Restated
<b>Net profit for the financial year</b>		<b>143,932</b>	<b>95,765</b>
<b>Other comprehensive income/(losses):</b>			
Items that may be subsequently reclassified to profit or loss:			
Fair value through other comprehensive income investments:			
Gross gains/(losses) on fair value changes		2,430	(14,300)
Realised losses transferred to profit or loss		-	836
Deferred tax (expenses)/income	13	(583)	3,231
Fair value through other comprehensive income investments, net of deferred tax		<u>1,847</u>	<u>(10,233)</u>
Net insurance finance (expenses)/income for insurance contracts issued	22	(2,488)	4,285
Net reinsurance finance income/(expenses) for reinsurance contracts held	23	386	(1,290)
Other comprehensive loss for the financial year, net of tax		<u>(255)</u>	<u>(7,238)</u>
<b>Total comprehensive income for the financial year</b>		<b><u>143,677</u></b>	<b><u>88,527</u></b>

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	Issued and fully paid-up ordinary shares	Non-distributable			Distributable	Total
		Share capital	Capital contribution reserve	Fair value reserve	Insurance finance reserve	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023 – as previously reported		150,000	224,792	(23,596)	(100)	406,123	757,219
Impact of initial application of MFRS 9	2(a)(ii)	-	-	23,596	-	(23,596)	-
<b>At 1 January 2023 (Restated)</b>		150,000	224,792	-	(100)	382,527	757,219
Net profit for the financial period		-	-	-	-	143,932	143,932
Other comprehensive loss for the financial year		-	-	1,847	(2,102)	-	(255)
Dividend paid to shareholder	26	-	-	-	-	(25,000)	(25,000)
<b>At 31 December 2023</b>		150,000	224,792	1,847	(2,202)	501,459	875,896
At 1 January 2022 – as previously reported		100,000	224,792	(13,363)	-	284,012	595,441
Impact of initial application of MFRS 17	2(a)(i)	-	-	-	(3,095)	26,346	23,251
<b>At 1 January 2022 (Restated)</b>		100,000	224,792	(13,363)	(3,095)	310,358	618,692
Issuance of shares during the financial period	14	50,000	-	-	-	-	50,000
Net profit for the financial year		-	-	-	-	95,765	95,765
Other comprehensive loss for the financial year		-	-	(10,233)	2,995	-	(7,238)
<b>At 31 December 2022</b>		150,000	224,792	(23,596)	(100)	406,123	757,219

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM'000	2022 RM'000 Restated
<b>OPERATING ACTIVITIES</b>			
Cash utilised in operating activities	28	(37,537)	(133,777)
Dividend/distribution income received		79,472	60,959
Interest income received		708	980
Net expenses on properties		(537)	(546)
Other investment income received		1,441	1,344
Interest expense on lease liabilities	17	(213)	(127)
Income tax paid		(10,636)	(20,530)
<b>Net cash inflows/(outflows) from operating activities</b>		<u>32,698</u>	<u>(91,697)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(3,146)	(1,365)
Purchase of intangible assets	7	-	(132)
Proceeds from disposal of property, plant and equipment		240	-
Proceeds from disposal of assets classified as held-for-sale		-	127
<b>Net cash outflows from investing activities</b>		<u>(2,906)</u>	<u>(1,370)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares	14	-	50,000
Dividend paid	26	(25,000)	-
Payment of lease liabilities - principal portion		(3,552)	(4,291)
<b>Net cash (outflows)/inflows from financing activities</b>		<u>(28,552)</u>	<u>45,709</u>
Net increase/(decrease) in cash and cash equivalents		1,240	(47,358)
Cash and cash equivalents at the beginning of the financial year		<u>79,386</u>	<u>126,744</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u><u>80,626</u></u>	<u><u>79,386</u></u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances		60,514	56,676
Short-term deposits		<u>20,112</u>	<u>22,710</u>
		<u><u>80,626</u></u>	<u><u>79,386</u></u>

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

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**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

Registered office

Level 25, Mercu 3,  
No. 3, Jalan Bangsar, KL Eco City,  
59200 Kuala Lumpur.

Principal place of business

Level 26 - 28, Mercu 3,  
No. 3, Jalan Bangsar, KL Eco City,  
59200 Kuala Lumpur.

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

The Directors regard Zurich Holdings Malaysia Berhad as the immediate holding company, a corporation incorporated and domiciled in Malaysia. The penultimate holding and ultimate holding corporations are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd. respectively. Both corporations are incorporated in Switzerland.

Zurich Insurance Group Ltd. is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 March 2024.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Financial Services Act, 2013 and the requirements of the Companies Act 2016 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("the RBC Framework") issued by BNM as at the date of the statement of financial position.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

In these financial statements, the Company has applied MFRS 17 and MFRS 9 for the first time. The Company has not early adopted the amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but which are not yet effective as follows:

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024**

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements (Non-current Liabilities with Covenants)*
- Amendments to MFRS 107 *Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2025**

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10 *Consolidated Financial Statement and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned amendments to standards when effective.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

The initial application of the applicable accounting standards and amendments to standards or interpretations did not have any material financial impact to the current year and prior year's financial statements of the Company except as mentioned below:

**(i) MFRS 17 *Insurance Contracts***

MFRS 17 replaced MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to MFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

**Changes to classification and measurement**

The adoption of MFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under MFRS 4 to continue accounting using its previous accounting policies. However, MFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The key principles of MFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the contract holders) by agreeing to compensate the policyholder if a specified uncertain future event (the covered event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards.
- Divides the insurance and reinsurance contracts into groups it will recognise and measure.
- Recognises and measures 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

- If necessary, recognising an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).



**ZURICH GENERAL INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(i) MFRS 17 *Insurance Contracts* (continued)**

**Changes to classification and measurement (continued)**

- Recognises profit from a group of Insurance contracts over the period the Company provides insurance coverage, as 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 Company recognises the loss immediately.
- Recognises 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.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 3(n).

**Changes to presentation and disclosure**

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

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

The groups referred to above are those established at initial recognition in accordance with the MFRS 17 requirements.

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

The line item descriptions in the statement of profit or loss have been changed significantly compared with previous year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium liabilities
- Gross claims incurred
- Net claims incurred

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(i) MFRS 17 *Insurance Contracts* (continued)**

**Changes to presentation and disclosure (continued)**

MFRS 17 requires instead, separate disclosure of the following:

- Insurance revenue
- Insurance service expense
- Allocation of reinsurance premium
- Amount recoverable from reinsurers for incurred claims
- Insurance finance income or expense for insurance contracts issued
- Reinsurance finance income or expense for reinsurance contracts held

The Company has also provided disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, made when applying the standard.

**Transition**

The Company determined the transition approach at groups of insurance contracts levels, depending on availability of reasonable and supportable historical information. The Company applies a retrospective transition approach and most groups of insurance contracts follow either a full retrospective approach or modified retrospective approach.

On transition date of 1 January 2022, the Company:

- Identified, recognised and measured each group of insurance contracts as if MFRS 17 had always applied.
- Identified, recognised and measured assets for insurance acquisition cash flows as if MFRS 17 has always applied. However no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.
- Derecognised any existing balances that would not exist had MFRS 17 always been applied.
- Recognised any tax arising from the temporary difference between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases, as if MFRS 17 had always applied.
- Recognised any resulting net difference thereon in equity.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(i) MFRS 17 *Insurance Contracts* (continued)**

**Full retrospective approach**

On transition to MFRS 17, the Company has applied the full retrospective approach unless impracticable. The Company has applied the full retrospective approach on transition to all portfolio of contracts that are effective from the year 2016 and unexpired portfolio of insurance contracts effective from 2015 and prior, as if MFRS 17 had always been applied.

**Modified retrospective approach**

For portfolios that have expired from 2015 and prior, the application of full retrospective approach is impracticable and hence, modified retrospective approach is adopted. The Company has applied the modified retrospective approach for this group of contracts, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible or without incurring a significant cost and effort due to the Company's data retention policies. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

The Company has aggregated contracts issued more than one year apart for groups of contracts applying the modified retrospective approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

As the Company had previously already applied best estimate reserving, the implementation of MFRS 17 did not have any significant impact on insurance nominal reserves. The impact on shareholders' equity at transition was mainly from the offsetting effects due to application of discounting (positive effect) and application of risk adjustment for non-financial risks for the Company's loss reserves (negative effect). The impact to shareholders' equity for the Company due to the transition to MFRS 17 was a positive impact of RM26.3 million, net of tax, as of 1 January 2022 and RM8.5 million, net of tax, as of 31 December 2022.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(i) MFRS 17 Insurance Contracts (continued)**

**Financial Impact**

The impact of transition to MFRS 17 on the relevant balance sheet captions as at 1 January 2022 is as follows:

	<b>MFRS 4 1 January 2022 RM'000</b>	<b>Derecogni- tion of MFRS 4 RM'000</b>	<b>Remeasure- ment effect of MFRS 17 RM'000</b>	<b>MFRS 17 1 January 2022 RM'000</b>
<b>Assets</b>				
Reinsurance contract assets	418,031	(127,043)	10,497	301,485
Insurance receivables	62,678	(70,503)	7,825	-
Deferred tax assets	15,853	-	(7,343)	8,510
<b>Equity and Liabilities</b>				
Share capital	100,000	-	-	100,000
Retained earnings	284,012	32,589	(6,244)	310,358
Capital contribution reserves	224,792	-	-	224,792
Other reserves	(13,363)	-	(3,095)	(16,458)
Insurance contract liabilities	1,539,362	(102,013)	20,318	1,457,666
Insurance payables	128,122	(128,122)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(i) MFRS 17 Insurance Contracts (continued)**

**Financial Impact (continued)**

The impact of transition to MFRS 17 on the relevant balance sheet captions as at 31 December 2022 is as follows:

	<b>MFRS 4 31 December 2022 RM'000</b>	<b>Derecogni- tion of MFRS 4 RM'000</b>	<b>Remeasure- ment effect of MFRS 17 RM'000</b>	<b>MFRS 17 31 December 2022 RM'000</b>
<b>Assets</b>				
Reinsurance contract assets	422,996	(108,895)	5,892	319,993
Insurance receivables	84,887	(91,831)	6,944	-
Deferred tax assets	22,798	-	(10,969)	11,829
<b>Equity and Liabilities</b>				
Share capital	150,000	-	-	150,000
Retained earnings	371,290	28,265	6,568	406,123
Capital contribution reserves	224,792	-	-	224,792
Other reserves	(23,596)	-	(100)	(23,696)
Insurance contract liabilities	1,687,938	(113,080)	(4,601)	1,570,257
Insurance payables	115,911	(115,911)	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(i) MFRS 17 Insurance Contracts (continued)**

**Financial Impact (continued)**

The following section sets out the impact of adopting MFRS 17 on the statement of profit or loss for the year ended 31 December 2022.

	<b>As previously stated for the financial year ended 31 December 2022 RM'000</b>	<b>Classification and measurement* RM'000</b>	<b>As restated for the financial year ended 31 December 2022 RM'000</b>
Profit before taxation	100,213	11,167	111,380
Net profit for the financial year	87,278	8,487	95,765

\*Impact of derecognition of MFRS 4 and recognition of MFRS 17 liabilities and assets.

**(ii) MFRS 9 Financial Instruments**

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. However, as the Company elected, under the amendments to MFRS 4, to apply the temporary exemption from MFRS 9 by deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17.

The Company has applied MFRS 9 prospectively from 1 January 2023, without restating prior periods' information. Differences arising from the adoption of MFRS 9 were recognised in retained earnings as of 1 January 2023.

The nature of the changes in accounting policies can be summarised as follows:

To determine their classification and measurement categories, MFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the respective instruments' contractual cash flow characteristics.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(ii) MFRS 9 *Financial Instruments* (continued)**

The MFRS 139 measurement categories for financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS), held-to-maturity (HTM) and loans and receivables (LAR) at amortised cost have been replaced by:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Financial assets at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at amortised cost

The Company's classification of financial assets is as explained in Note 3(f). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed on pages 45 and 46.

***Changes to the impairment calculation***

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

The Company's debt instruments at FVOCI and amortised cost comprise solely of corporate debt securities that are graded in the top investment category by MARC and RAM therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis. The Company does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any bond deteriorates, the Company will dispose of all or trim the position based on best effort basis, subject to the liquidity, availability, and condition of the market.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(ii) MFRS 9 *Financial Instruments* (continued)**

***Changes to the impairment calculation***

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2023 or 2022.

The adoption of the ECL requirements of MFRS 9 resulted in increases in impairment allowances related to the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

Details of the Company's impairment methodology are disclosed in Note 3(k). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed on pages 45 and 46.

***Transition***

The following section sets out the impact of adopting MFRS 9 on the statement of financial position, including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

		<b>1 January 2023</b>			
		<b>Before</b>	<b>Classifi-</b>	<b>After</b>	
<b>MFRS 139</b>	<b>Category</b>	<b>MFRS 9</b>	<b>cation and</b>	<b>MFRS 9</b>	<b>MFRS 9</b>
		<b>adjustments</b>	<b>measurement</b>	<b>adjustments</b>	<b>Category</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
<b>Financial assets</b>					
Cash and cash equivalents	LAR	79,386	-	79,386	AC
Equity investments	AFS	1,984,979	(1,984,979)	-	
Equity investments		-	1,984,979	1,984,979	FVTPL
<b>Non-financial assets</b>					
Deferred tax assets		11,829	-	11,829	



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**(ii) MFRS 9 *Financial Instruments* (continued)**

***Transition (continued)***

**Classification of financial assets and financial liabilities**

The following table shows the original measurement categorised in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the financial assets and financial liabilities transferred to the Company as at 1 January 2023.

	<b>Reserves and retained earnings RM'000</b>
<b>Fair value reserve</b>	
Closing balance under MFRS 139 (31 December 2022)	(23,596)
Reclassification of equity instruments from available-for-sale	31,047
Deferred tax in relation to MFRS 9 application	(7,451)
<b><i>Opening balance under MFRS 9 (1 January 2023)</i></b>	<b><u><u>-</u></u></b>
<b>Retained earnings</b>	
Closing balance under MFRS 139 (31 December 2022)	371,290
Impact of initial application of MFRS 17	34,833
<i>Closing balance under MFRS 139 (31 December 2022) - Restated</i>	406,123
Reclassification of equity instruments from available-for-sale	(31,047)
Deferred tax in relation to MFRS 9 application	7,451
	<u>(23,596)</u>
<b><i>Opening balance under MFRS 9 (1 January 2023)</i></b>	<b><u><u>382,527</u></u></b>
<b><i>Total change in equity due to application of MFRS 9</i></b>	<b><u><u>-</u></u></b>
<b><i>Total change in equity due to application of MFRS 17</i></b>	<b><u><u>34,833</u></u></b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(b) Basis of measurement**

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise as disclosed in the summary of material accounting policy information.

**(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 4 to the financial statements.

**3. MATERIAL ACCOUNTING POLICY INFORMATION**

**(a) Investment in subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When the Company ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(a) Investment in subsidiaries (continued)**

In the Company's financial statements, investments in structured entities are initially recognised at fair value and subsequently measured at fair value in accordance with MFRS 139 "Financial Instruments: Recognition and Measurement". On disposal of investment in structured entities, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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

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

**(b) Property, plant and equipment and depreciation**

Property, plant and equipment are initially stated at cost. These include expenditure that is directly attributed to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the asset 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 year in which they are incurred.

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

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Computer hardware	5 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 10 years
Renovation	10 years

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) Property, plant and equipment and depreciation (continued)**

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of non-financial assets is disclosed in Note 3(l) to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss.

**(c) Leases**

The Company as a lessee

Leases are recognised as right-of-use (“ROU”) assets and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e., the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected to apply the practical expedient provided in MFRS 16 so as not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

**(i) Lease term**

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. Please refer to (iii) below on reassessment of lease liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(c) Leases (continued)**

The Company as a lessee (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are subsequently measured at cost less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

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

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(c) Leases (continued)**

The Company as a lessee (continued)

(iii) Lease liabilities (continued)

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

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of profit or loss.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iv) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, printing and photostat machines. The Company has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(d) Intangible assets**

Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the establishment of identifiable and unique software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of three years.

Computer software under development is not amortised until the asset is ready for its intended use. In the interim, it is reviewed for impairment at each reporting date.

Other intangible asset

Other intangible asset is in relation to a 15-year exclusive bancassurance agreement entered between the Company with Alliance Bank Malaysia Berhad ("ABMB") for the distribution of the Company's insurance products. This asset is measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 15 years.

At each reporting date, the Company assesses whether there is any indication of impairment of its intangible asset. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in Note 3(l).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(e) Non-current assets held-for-sale**

Non-current assets are classified as assets held-for-sale when their carrying amounts are recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. It is measured at the lower of the carrying amount and fair value less costs of sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale.

**(f) Financial assets**

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

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.

**Classification of financial assets from 1 January 2023**

On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Amortised cost*

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(f) Financial assets (continued)**

**Classification of financial assets from 1 January 2023 (continued)**

*Financial assets at FVOCI - debt securities*

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

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

Debt securities are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

*Financial assets at FVOCI - equity securities*

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis. Equity investments designated as not held for trading are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

*Business model assessment*

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance contract liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(f) Financial assets (continued)**

**Classification of financial assets from 1 January 2023 (continued)**

*Business model assessment (continued)*

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

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

Change in business model is not expected to be frequent; but should such event take place, it must be:

- (i) Determined by the Company's senior management as a result of external or internal changes;
- (ii) Significant to the Company's operations; and
- (iii) Demonstrable to external parties.

A change in the Company's business model will occur only when the Company begin or cease to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(f) Financial assets (continued)**

**Classification of financial assets from 1 January 2023 (continued)**

*The Solely Payments of Principal and Interest ("SPPI") test*

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

**Classification of financial assets before 1 January 2023**

The Company classifies its financial assets into the following categories: 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. Management determines the classification of its investments at initial recognition.

*(i) Loans and receivables ("LAR")*

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include insurance receivables. These assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment.

Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

*(ii) AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets' categories. These investments are initially recognised at fair value. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired.

Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(f) Financial assets (continued)**

**Classification of financial assets before 1 January 2023 (continued)**

*(ii) AFS financial assets (continued)*

The translation differences on monetary instruments are recognised in profit or loss; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred through the statement of comprehensive income to profit or loss.

**(g) Fair value of financial assets**

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

For financial assets both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published (closing) prices at the close of business at the reporting date.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the amount of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(h) Recognition of financial assets**

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

**(i) Derecognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

**(j) Offsetting of financial assets and financial liabilities**

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

**(k) Impairment**

**Impairment of financial assets after 1 January 2023**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(k) Impairment (continued)**

**Impairment of financial assets after 1 January 2023 (continued)**

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

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

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(k) Impairment (continued)**

**Impairment of financial assets before 1 January 2023 (continued)**

The Company assesses at each date of the statement of financial position, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

**(i) Financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Company first assesses 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 that 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 the date of the statement of financial position.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(k) Impairment (continued)**

**Impairment of financial assets before 1 January 2023 (continued)**

**(ii) AFS financial assets**

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is objective evidence of impairment, resulting in the recognition of an impairment loss.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity through the statement of comprehensive income to profit or loss. Reversals of impairment losses classified as AFS are reversed 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 profit or loss.

**(l) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(m) Insurance and reinsurance contracts classification**

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues general insurance products to individuals and businesses. General insurance products offered include property, marine, and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

**(n) Insurance and reinsurance contracts accounting treatment**

*(i) Separating components from insurance and reinsurance contracts*

The Company assesses its general insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another MFRS instead of under MFRS 17. After separating any distinct components, the Company applies MFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

MFRS17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder even if an insured event does not occur. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. Receipts and payments of the investment components (including non-distinct investment components) are recorded outside of profit or loss.

Some reinsurance contracts issued contain profit or ceding commission arrangements. There is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment regardless of whether the insured event occurs. Ceding commission in the form of premium discount is not deemed as a non-distinct investment component. The minimum guaranteed amount and profit commission may or may not be deemed as a non-distinct investment component, depending on whether there is a loss-carry forward mechanism.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(n) Insurance and reinsurance contracts accounting treatment (continued)**

(ii) *Level of aggregation*

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined by grouping the written business into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The groups of contracts for which the fully retrospective approach, modified retrospective and the fair value approach have been adopted on transition include contracts issued more than one year apart. The portfolio are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts in the portfolio

The reinsurance contracts held portfolios are divided into:

- A group of contracts on which there is a net gain on initial recognition
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(n) Insurance and reinsurance contracts accounting treatment (continued)**

*(iii) Recognition*

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group of contract is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The reinsurance contracts held by the Company provide proportionate cover. Therefore the Company does not recognise a proportional reinsurance contract held until at least one underlying direct Insurance contract has been recognised.

The Company adds new contracts in the reporting period in which the contracts meets one of the criteria set out above.

*(iv) Onerous groups of contracts*

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued from a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the Company is due.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(n) Insurance and reinsurance contracts accounting treatment (continued)**

*(iv) Onerous groups of contracts (continued)*

The Company's guidelines to assess the facts and circumstances of onerousness is to leverage on:

- the Expected Ultimate Combined Ratio (consists of losses, expenses and risk adjustment) available from the valuation or pricing / underwriting exercise when appropriate.
- information within the Company or Management about contracts known or apparent to be onerous (e.g., based on the intention of the initial product approval process for market entry or marketing purposes).

The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environment factors, e.g. a change in the market experience or regulations

If the facts and circumstances indicate that a group is expected to be onerous, a loss component should be recognised in the statement of financial position and the corresponding loss should be recognised in profit or loss accordingly.

*(v) Contract boundary*

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

- The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks;

Or

- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and can set a price or level of benefits that fully reflects the risk of that portfolio.
  - The pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(n) Insurance and reinsurance contracts accounting treatment (continued)**

*(v) Contract boundary (continued)*

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts related to future insurance contracts.

*(vi) Measurement for liability for remaining coverage and assets for remaining coverage*

The Company uses the premium allocation approach ("PAA") to simplify the measurement of groups of contracts on the following bases:

- insurance contracts: the coverage period of each contract in the group of contracts is one year or less; and
- longer term insurance and reinsurance contracts: the Company reasonably expects that the resulting measurement would not differ materially from the result of applying the general measurement model.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Acquisition cashflows are recognised in the liability for remaining coverage when incurred and amortised on a straight-line basis or based on the expected pattern of release of risk during the coverage period of the group of contracts.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year. Measurement of the liability for remaining coverage includes an adjustment to reflect the time value of money and the effect of financial risk where the premium due date and related period of services are more than twelve (12) months apart.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in the Statement of comprehensive income and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(n) Insurance and reinsurance contracts accounting treatment (continued)**

*(vii) Measurement for liability for incurred claims and incurred claims recovery*

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are determined on a discounted probability-weighted expected value basis (including an explicit risk adjustment for non financial risk). The liability for incurred claims includes the Company's obligation to pay other incurred insurance expenses.

The Company applies the same accounting policies to measure a group of reinsurance contracts.

*(viii) Reinsurance contracts*

The Company measures its reinsurance contract assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

*(ix) Insurance acquisition cash flows*

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(n) Insurance and reinsurance contracts accounting treatment (continued)**

*(ix) Insurance acquisition cash flows (continued)*

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another MFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

*(x) Modification and derecognition*

The Company derecognises a contract when it is extinguished i.e., when the specified obligations in the contract expire or are discharged or cancelled. This is usually at the end of the coverage period.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly. Had the new terms always existed, a new contract based on the modified terms is recognised. Contracts based on the modified terms are accounted for by applying Note 3(n)(vi) to the new contract at initial recognition.

If a contract modification does not result in derecognition, then the Company continues to apply Note 3(n)(vi).

**(o) Presentation**

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(o) Presentation (continued)**

The Company disaggregates the total amount recognised in the statement of profit or loss and statement of other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

*(i) Insurance revenue*

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time or based on the expected pattern of release of risk during the coverage period. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

*(ii) Insurance service expenses*

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise of:

- Incurred claims and other insurance service expenses;
- Amortisation of acquisition cash flows on a straight-line basis over the coverage period or based on the expected pattern of release of risk during the coverage period;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims for movements in the undiscounted claims experience.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(o) Presentation (continued)**

*(iii) Net expenses from reinsurance contracts held*

Net expenses from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers.

The Company presents separately on the face of the statement of profit or loss the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

*(iv) Loss components*

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 3(n)(ii) indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 3(n)(vi). Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

*(v) Loss-recovery components*

As described in Note 3(n)(vi) above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(o) Presentation (continued)**

*(vi) Insurance finance income or expenses*

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Company has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income ("OCI"). The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts.

Amounts presented in OCI are accumulated in the insurance finance reserve.

**(p) Other receivables from the Malaysian Motor Insurance Pool ("MMIP")**

The Company's share of investment returns from MMIP is recognised as receivable when the right to receive is established. The advances to and receivables from MMIP are classified as part of other receivables.

**(q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, balances and deposits with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

**(r) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

***Ordinary shares***

Ordinary shares are classified as equity.

***Dividends***

Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(s) Earnings per share (“EPS”)**

The Company presents basic EPS data for its ordinary shares.

Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own share held.

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

**(t) Provisions**

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

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(u) Other financial liabilities**

Other financial liabilities 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 yield method.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(v) Contingent liabilities and contingent assets**

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

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

**(w) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(x) Other income recognition**

Interest income

Interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Company. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognised as investment income when the right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

Rental income

Rental income is recognised on a time proportion basis except where a default in payment of rent has already occurred and the rent due remains outstanding, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on a receipt basis until all arrears have been paid.

Gains or losses arising on disposal of financial assets are credited or charged to profit or loss.

**(y) Foreign currencies**

The financial statements are presented in Ringgit Malaysia which is also the functional and presentation currency of the Company.

Foreign currency transactions in the Company are initially translated to Ringgit Malaysia at the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency assets and liabilities are included in profit or loss for the financial year except for differences arising on the translation of items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such items are also recognised directly in other comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(z) Employee benefits**

*Short-term employee benefits*

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave is 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 is recognised when the absences occur.

*Long-term employee benefits*

Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed as below, except that there measurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

*Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable 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 the employee services in the current and preceding financial year. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

*Share-based long-term incentive plan*

The ultimate holding corporation, Zurich Insurance Group Ltd ("ZIGL"), operates a global long term incentive plan wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL and its subsidiary companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit. The Company purchases the right to shares from this holding vehicle for Malaysian resident directors and senior executives who participate in the plan. When shares vest with the participants, the central share vehicle transfers those shares directly to the participants. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the statement of profit or loss over the vesting period of the grant.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(z) Employee benefits (continued)**

*Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates:

- when the Company can no longer withdraw the offer of those benefits; and
- when the Company recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

**(aa) Fair value measurements**

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

**(a) The ultimate liability arising from claims incurred under insurance contracts**

A liability for incurred claim is held at 31 December 2023 for the estimated cost of claims incurred, but not settled, including the cost of claims incurred, but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to obtain appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability for incurred claims, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of the liability for incurred claims not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of notified claims to the Company, where information about the claim event is generally available. The liability for incurred claims not reported claims may not be apparent to the Company until many years after the event giving rise to the claim. In addition, the sufficiency of the liability for incurred claims is also subject of uncertainty.

The long-tailed classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating the liability for incurred claims. For the short-tailed classes, claims are typically reported soon after the claim event, and hence tend to display lower levels of uncertainty. In calculating the estimated liability for incurred claims, the Company uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying data or which might cause the liability for incurred claims to increase or reduce when compared with the cost of previously paid claims including:

- Changes in the Company's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the data from previous periods;
- Changes in the legislation environment;
- The effects of inflation (both economic and superimposed);
- Changes in the mix of business;
- The impact of large losses and catastrophic events;
- The effects of social and economic inflation;
- Movements in industry benchmarks;
- Medical and technological developments; and
- Changes in policyholder behaviour.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(a) The ultimate liability arising from claims incurred under insurance contracts (continued)**

In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large and/or significant weather-related events impacting each relevant business class are generally assessed separately (whenever it is deemed as appropriate), being measured on a case-by-case basis or projected separately in order to allow for the effect of the development and incidence of these claims. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the effect of the development and incidence of these large claims. Projected payments are discounted to allow for the time value of money, based on current risk free interest rates.

Where possible, the Company adopts multiple techniques to estimate the required level of liabilities. This assist in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Liabilities are evaluated gross of any reinsurance and non reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable based upon the gross liabilities.

**(b) Measurement of onerous contracts**

The Company only recognises onerous contracts for a group of contracts when facts and circumstances indicate. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. A significant judgement in determining onerous contracts is the measurement of the ultimate cost of claims.

**(c) Assets arising from reinsurance contracts**

Reinsurance recoveries are also computed using the above methods. The judgements applied by the Company to estimate its ultimate liability arising from claims incurred under insurance contracts above are consistently applied to the Company's reinsurance contracts by considering the contractual features of the reinsurance contracts. Any loss recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(d) Actuarial assumptions and methods**

The Company writes both short-tailed and long-tailed business. The process for determining the value of the liability for incurred claims including the cost of claims handling and asset for incurred claims is described below.

The methods used to establish the ultimate cost of claims include the following:

- Projecting ultimate numbers of claims and multiplying by projected ultimate average cost;
- Projecting ultimate claim payment amounts;
- Projecting ultimate claim incurred amounts; and
- Applying plan or forecast loss ratios to the earned premiums.

Additional qualitative judgements are also used to assess the extent to which past trends may not apply in the future. Thus, there is uncertainty surrounding changes to these patterns from whatever cause and known facts of individual claims at hand.

Projected reinsurance assets are derived by applying reinsurance to gross ratios observed on claims and premiums.

Projected payments are implicitly allowed for future inflation since any recent inflationary effects are likely to be incorporated in the Company's outstanding claims and hence reflected in the valuation process.

Applying a confidence level technique, the Company estimates the probability distribution of the present value of future cash flows from insurance contracts and reinsurance contracts at each reporting date and calculates the risk adjustment for non-financial risk that it would require to meet its contractual obligations to pay claims arising over the duration of the contracts at a 75% confidence level. The establishment of the risk adjustment for non financial risk takes into account the variability of the outcome of each group of contracts and the diversification benefit of underwriting a number of group of contracts.

Risk adjustments for non-financial risk are determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. The Company applies a confidence level technique to determine the risk adjustments for non-financial risk of both its insurance and reinsurance contracts.

Under a confidence level technique, the Company estimates the probability distribution of the expected value of the future cash flows at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

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**NOTES TO THE FINANCIAL STATEMENTS**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(e) Assumptions applied for MFRS 16 "Leases"**

*Determination of incremental borrowing rate*

The lease liabilities are measured at the present value of the remaining lease payments over the lease term, discounted using the Company's incremental borrowing rate as the rate implicit in the lease is generally not readily determinable.

*Extension and termination options*

Any options to extend or terminate a lease that the Company is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognised at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The lease term will be considered to extend beyond the non-cancellable period if the lessee has an extension option that is considered to be reasonably certain to exercise, or a termination option that is considered to be reasonably certain not to exercise.

The Company has several lease contracts that include extension and termination options. The Company has included the renewal period as part of the lease term when the Company is reasonably certain to exercise the option to extend the lease. The Company considers all relevant facts and circumstances that create an economic incentive to exercise or not to exercise the option including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

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**NOTES TO THE FINANCIAL STATEMENTS**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(f) Provision for penalty imposed by the Malaysia Competition Commission (“MyCC”)**

In August 2016, Malaysian Competition Commission (“MyCC”) had commenced investigations under Section 15(1) of the Competition Act 2010 (“the Act”) against Persatuan Insurans Am Malaysia (“PIAM”) and all 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, MyCC issued a proposed decision to all 22 member companies, proposing to impose a collective penalty of RM213 million on the general insurance industry. The Company, as one of the members of PIAM, had an initial share of RM7.9 million of the proposed penalty. As an ‘industry collective action’, the Company together with PIAM, submitted a written representation and made oral representations to MyCC on 25 April 2017 and 29 January 2018 respectively to defend against the allegation.

PIAM had commenced its oral representations through their counsel on 21 February 2019. Bank Negara Malaysia (BNM)’s Oral Representation took place on 13 May 2019 followed by Oral Representation by a counsel representing ZGIMB and 5 other insurers. PIAM’s Competition Economist (RBB Economics) and remaining insurers’ counsels completed their Oral Representations on 17 and 18 June 2019.

On 2 September 2022, the Competition Appeal Tribunal (CAT) had allowed the Company to appeal and set aside MyCC’s decision.

MyCC has applied to the High Court for leave to apply for judicial review of CAT’s decision dated 2 September 2022 and the Company had filed its Affidavit in Opposition in the High Court.

On 16 January 2024, the High Court dismissed MyCC’s application to commence judicial review against the CAT’s decision. On 15 February 2024, MyCC filed a Notice of Appeal to the Court of Appeal against the High Court’s decision. The Court of Appeal had fixed a case management session for this matter on 15 May 2024.

The Company has recognised a provision of RM5.7 million for the penalty imposed in the financial statements for the year ended 31 December 2020 pending the decision of the appeal. Due to the uncertainty on the outcome of the Court of Appeal’s decision, the provision of RM5.7 million remains in the financial statements as at 31 December 2023, as disclosed in Note 18.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Furniture, fittings and office equipment</b>	<b>Computer hardware</b>	<b>Motor vehicles</b>	<b>Renovation</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>					
At 1 January 2022	3,808	10,019	541	9,791	24,159
Additions	66	658	-	641	1,365
Write-offs	(12)	(1,554)	-	(39)	(1,605)
At 31 December 2022 / 1 January 2023	3,862	9,123	541	10,393	23,919
Additions	2	2,769	369	6	3,146
Write-offs	-	(2,898)	-	-	(2,898)
Disposals	-	-	(541)	-	(541)
At 31 December 2023	<u>3,864</u>	<u>8,994</u>	<u>369</u>	<u>10,399</u>	<u>23,626</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	<b>Furniture, fittings and office equipment</b>	<b>Computer hardware</b>	<b>Motor vehicles</b>	<b>Renovation</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Accumulated depreciation</b>					
At 1 January 2022	1,187	6,074	270	2,945	10,476
Charge for the financial year (Note 24)	387	1,551	108	997	3,043
Write-offs	(6)	(1,554)	-	(24)	(1,584)
At 31 December 2022 / 1 January 2023	1,568	6,071	378	3,918	11,935
Charge for the financial year (Note 24)	391	1,574	97	1,037	3,099
Write-offs	-	(2,898)	-	-	(2,898)
Disposals	-	-	(451)	-	(451)
At 31 December 2023	<u>1,959</u>	<u>4,747</u>	<u>24</u>	<u>4,955</u>	<u>11,685</u>
<b>Net carrying amount</b>					
At 31 December 2022	<u>2,294</u>	<u>3,052</u>	<u>163</u>	<u>6,475</u>	<u>11,984</u>
At 31 December 2023	<u>1,905</u>	<u>4,247</u>	<u>345</u>	<u>5,444</u>	<u>11,941</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. RIGHT-OF-USE ASSETS**

The Company's leases are operating lease agreements entered in respect of rented premises. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension periods.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes.

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January	28,896	20,969
Additions	-	258
Contract renewal	(1,369)	8,463
Remeasurement	(90)	(93)
Termination	(232)	(701)
At 31 December	<u>27,205</u>	<u>28,896</u>
<b>Accumulated depreciation</b>		
At 1 January	18,037	14,597
Termination	(231)	(635)
Depreciation during the financial year (Note 24)	3,555	4,075
At 31 December	<u>21,361</u>	<u>18,037</u>
<b>Net carrying amount</b>		
At 31 December	<u>5,844</u>	<u>10,859</u>

The Company also has certain leases of equipment with low value. The Company applies the 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss :

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Depreciation of right-of-use asset (Note 24)	3,555	4,075
Interest expense on lease liabilities (Note 17)	213	127
Expense related to leases of low-value assets (Note 24)	93	748
Total amount recognised in profit or loss	<u>3,861</u>	<u>4,950</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. INTANGIBLE ASSETS**

	<b>Computer software RM'000</b>	<b>Other Intangible asset RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2022	4,976	40,000	44,976
Additions	132	-	132
Write-offs	(50)	-	(50)
At 31 December 2022 / 1 January 2023	<u>5,058</u>	<u>40,000</u>	<u>45,058</u>
Additions	-	-	-
Write-offs	(4,641)	-	(4,641)
At 31 December 2023	<u><u>417</u></u>	<u><u>40,000</u></u>	<u><u>40,417</u></u>
<b>Accumulated amortisation</b>			
At 1 January 2022	4,554	7,111	11,665
Amortisation during the financial year (Note 24)	249	2,667	2,916
Write-offs	(50)	-	(50)
At 31 December 2022 / 1 January 2023	<u>4,753</u>	<u>9,778</u>	<u>14,531</u>
Amortisation during the financial year (Note 24)	203	2,667	2,870
Write-offs	(4,641)	-	(4,641)
At 31 December 2023	<u><u>315</u></u>	<u><u>12,445</u></u>	<u><u>12,760</u></u>
<b>Net carrying amount</b>			
At 31 December 2022	<u><u>305</u></u>	<u><u>30,222</u></u>	<u><u>30,527</u></u>
At 31 December 2023	<u><u>102</u></u>	<u><u>27,555</u></u>	<u><u>27,657</u></u>

Other intangible asset is in relation to a 15-year exclusive bancassurance agreement entered into between the Company with Alliance Bank Malaysia Berhad ("ABMB") for the distribution of the Company's insurance products.

The fee for this exclusive right is amortised over its useful life of 15 years using the straight-line method. The Company conducts an impairment assessment when there is an indication of impairment in accordance with its accounting policies in Note 3(l). In the impairment assessment conducted by the Company, the future economic benefits that are attributable to the bancassurance agreement are valued at the present value of projected cash flows to be derived from the tenure of the agreement of 15 years using the discounted cash flow model.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. INTANGIBLE ASSETS (CONTINUED)**

The following key assumptions have been used in the cash flow projections in respect of the bancassurance agreement:

<b>Key assumptions</b>	<b>2023</b>	<b>2022</b>
Bancassurance average annualised gross written premium growth rate	5.5%	12.5%
Discount rate – pretax	10.4%	9.5%

**Sensitivity to changes in key assumptions**

Management considers that it is not reasonably possible for the above mentioned key assumptions to change significantly in order to result in an impairment loss.

**8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Carrying value</b>		
At 1 January	2,986	3,116
Disposal	-	(130)
At 31 December	<u>2,986</u>	<u>2,986</u>

At the end of the current financial year, the Company has 8 units of shop lots at Seremban Terminal One classified as held-for-sale.

The Company has appointed a real estate agent to carry out the disposal of the remaining properties, and as of 31 December 2023, this exercise is still ongoing.

The Company has performed an internal valuation exercise to determine the need for any impairment losses to be recognised to reflect the fair value of the properties. The fair value of the properties is categorised under Level 3 of the fair value hierarchy of MFRS 13 “Fair Value Measurement” as disclosed in Note 32.

The Level 3 inputs or unobservable inputs include:

- Term yield - the expected rental that the properties are expected to achieve and are derived from the current passing rental, including revision upon renewal of tenancies during the financial year;
- Reversion yield - the expected rental that the properties are expected to achieve upon expiry of term rental;
- Allowance for void - refers to allowance provided for vacancy periods; and
- Price per square foot (“psf”) - estimated price psf for which a property should exchange on the date of valuation between a willing buyer and a willing seller.

The significant unobservable input is the price per square foot of the properties. The values of unobservable input used were in the range of RM16 to RM230 per square foot as at 31 December 2023 (2022: RM16 to RM230 per square foot). The fair value would increase/(decrease) if the value per square foot used is higher/(lower).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. INVESTMENTS**

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

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Financial assets at fair value through profit or loss ("FVTPL")	1,796,813	-
(ii) Financial assets at fair value through other comprehensive income ("FVOCI")	478,574	-
(iii) Available-for-sale ("AFS")	-	1,984,979
	<u>2,275,387</u>	<u>1,984,979</u>

The movements in the Company's investments are summarised in the table below by measurement category:

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,984,979	1,682,921
Purchases	652,531	327,952
Disposals (sale and redemptions)	(406,752)	(3,676)
Realised loss transferred from fair value reserves upon disposal (Note 21)	-	(836)
Fair value gains/(losses) recorded in		
Profit or loss	38,972	-
Other comprehensive Income	1,740	(13,463)
Movement in impairment allowance	-	(7,919)
Accretion of interest	3,917	-
At 31 December	<u>2,275,387</u>	<u>1,984,979</u>

The fair value hierarchy of investments is disclosed in Note 32 to the financial statements.

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) FVTPL</b>		
<b><u>At fair value</u></b>		
Real estate investment trusts quoted in Malaysia	80,832	-
Unit trusts unquoted in Malaysia - CIMB-Principal		
Conservative Bond Fund	<u>1,715,981</u>	<u>-</u>
<b>Total financial assets designated as FVTPL</b>		
<b>upon initial recognition</b>	<u>1,796,813</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. INVESTMENTS (CONTINUED)**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) FVOCI</b>		
<u>At fair value</u>		
Malaysian government papers	57,858	-
Corporate debt securities:		
Unquoted in Malaysia	420,716	-
<b>Total FVOCI financial assets</b>	<u>478,574</u>	<u>-</u>
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(c) AFS</b>		
<u>At fair value</u>		
Real estate investment trusts quoted in Malaysia	-	83,063
Unit trusts unquoted in Malaysia - CIMB-Principal		
Conservative Bond Fund	-	1,901,916
<b>Total AFS financial assets</b>	<u>-</u>	<u>1,984,979</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. CONTROLLED STRUCTURED ENTITY**

The Company has determined its investment in a retail unit fund amounting to RM1,715,981,000 (2022: RM1,901,916,000) in the financial statements is an investment in a structured entity ("investee fund"). The Company invests in the investee fund whose objective is to provide regular income through diversified investments in Malaysia and whose investment strategy does not include the use of leverage. The investee fund is managed by Principal Asset Management Berhad and applies various investment strategies to accomplish its investment objectives. The investee fund finances its operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The Company holds 88.52% of units in the CIMB-Principal Conservative Bond Fund which is established in Malaysia. As a result of the Company's power conveyed through its investment management and other agreements which permit the Company to remove the Fund Manager and Trustee via majority voting rights, the Company has control over the investee fund. The Company is exposed to or has rights to variable returns from its involvement with the investee fund.

The investee fund is classified as financial assets at fair value through profit or loss ("FVTPL") as disclosed in Note 9, and the changes in fair value of the investee fund is included in the statement of other comprehensive income (2022: (RM14,300,000)).

The Company's maximum exposure to loss from its interest in the investee fund is equal to the fair value of its investment in the investee fund.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. REINSURANCE CONTRACT ASSETS**

The roll-forward of net assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable from incurred claims arising from business ceded to reinsurers, is disclosed in the table below:

	<b>2023</b>			
	<b>Assets for Remaining Coverage</b>	<b>Amounts Recoverable from Incurred Claims</b>		
	<b>Excluding Loss-Recovery Component</b>	<b>Estimates of the Present Value of Future Cash Flows</b>	<b>Risk Adjustment</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reinsurance contract assets as at 1 January</b>	(14,336)	316,405	17,924	319,993
Allocation of reinsurance premiums	(153,717)	-	-	(153,717)
Amounts recoverable from reinsurers:				
Actual recovery of insurance service expenses	-	28,287	-	28,287
Changes in amounts recoverable from liabilities for incurred claims	-	(27,926)	(2,804)	(30,730)
<b>Net (expenses)/income from reinsurance contracts held</b>	(153,717)	361	(2,804)	(156,160)
Reinsurance finance income	303	9,928	548	10,779
<b>Total changes in the statement of profit or loss</b>	(153,414)	10,289	(2,256)	(145,381)
<b>Cash flows</b>				
Premiums and similar expenses paid	158,014	(4,369)	-	153,645
Amount recovered	-	(28,287)	-	(28,287)
<b>Total cash flows</b>	158,014	(32,656)	-	125,358
<b>Other movements</b>	-	(2,888)	-	(2,888)
<b>Reinsurance contract assets as at 31 December</b>	(9,736)	291,150	15,668	297,082

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**11. REINSURANCE CONTRACT ASSETS (CONTINUED)**

The roll-forward of net assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable from incurred claims arising from business ceded to reinsurers, is disclosed in the table below: (continued)

	<b>2022 (Restated)</b>			
	<b>Assets for Remaining Coverage</b>	<b>Amounts Recoverable from Incurred Claims</b>		
	<b>Excluding Loss-Recovery Component</b>	<b>Estimates of the Present Value of Future Cash Flows</b>	<b>Risk Adjustment</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reinsurance contract assets as at 1 January</b>	(15,750)	298,509	18,726	301,485
Allocation of reinsurance premiums	(143,426)	-	-	(143,426)
Amounts recoverable from reinsurers:				
Actual recovery of insurance service expenses	-	19,424	-	19,424
Changes in amounts recoverable from liabilities for incurred claims	-	4,314	(1,163)	3,151
<b>Net (expenses)/income from reinsurance contracts held</b>	(143,426)	23,738	(1,163)	(120,851)
Reinsurance finance income / (expense)	(176)	5,780	361	5,965
<b>Total changes in the statement of profit or loss</b>	(143,602)	29,518	(802)	(114,886)
<b>Cash flows</b>				
Premiums and similar expenses paid	145,016	8,080	-	153,097
Amount recovered	-	(19,424)	-	(19,424)
<b>Total cash flows</b>	145,016	(11,344)	-	133,672
<b>Other movements</b>	-	(278)	-	(278)
<b>Reinsurance contract assets as at 31 December</b>	(14,336)	316,405	17,924	319,993

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**12. OTHER RECEIVABLES**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Assets held under Malaysian Motor Insurance Pool ("MMIP")	37,139	40,299
Deposits, prepayment and other receivables	10,409	8,455
	<u>47,548</u>	<u>48,754</u>

The net assets held under MMIP include cumulative net cash contribution paid to MMIP of RM15,936,000 (2022: 17,006,000). The remaining balance represents assets held under MMIP of RM21,204,000 (2022: RM23,293,000), recognised by the Company based on quarterly statements received from MMIP.

As at 31 December 2023, there is a net receivable of RM22,011,000 (2022: 22,664,000) from MMIP, should the amounts receivable from MMIP be set-off against the Company's share of MMIP's claims and premiums liabilities of RM15,128,000 (2022: RM17,635,000) which are included in Note 16 to the financial statements.

The carrying amounts of financial assets disclosed above approximate the fair values at the date of the statement of financial position due to their short-term maturity.

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**13. DEFERRED TAXATION**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
<b>Company</b>		
At 1 January	11,829	8,510
Recognised in:		
Profit or loss (Note 25)	(9,990)	1,035
Other comprehensive income	(7,370)	2,284
	<u>(17,360)</u>	<u>3,319</u>
Effects of adoption of MFRS 9	7,451	-
At 31 December	<u>1,920</u>	<u>11,829</u>

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

Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
<b>Company</b>		
Deferred tax assets	15,878	23,536
Deferred tax liabilities	(13,958)	(11,707)
	<u>1,920</u>	<u>11,829</u>



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**13. DEFERRED TAXATION (CONTINUED)**

**(i) Deferred tax assets**

	Intangible assets	Investments	Non-current assets held- for-sale	Insurance contract liabilities	Other liabilities	Leases	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2023</b>							
At 1 January 2023	1,813	9,381	1,107	881	10,349	5	23,536
Recognised in:							
Profit or loss	(160)	(9,231)	-	242	832	(5)	(8,322)
Other comprehensive income	-	-	-	664	-	-	664
At 31 December 2023	<u>1,653</u>	<u>150</u>	<u>1,107</u>	<u>1,787</u>	<u>11,181</u>	<u>-</u>	<u>15,878</u>
<b>2022 (Restated)</b>							
At 1 January 2022	1,973	4,220	1,138	1,811	8,388	61	17,591
Recognised in:							
Profit or loss	(160)	1,931	(31)	16	1,961	(56)	3,661
Other comprehensive income	-	3,230	-	(946)	-	-	2,284
At 31 December 2022	<u>1,813</u>	<u>9,381</u>	<u>1,107</u>	<u>881</u>	<u>10,349</u>	<u>5</u>	<u>23,536</u>

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**13. DEFERRED TAXATION (CONTINUED)**

**(ii) Deferred tax liabilities**

	Property, plant and equipment	Investments	Insurance contract liabilities	Leases	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2023</b>					
At 1 January 2023	(707)	-	(11,000)	-	(11,707)
Recognised in:					
Profit or loss	81	-	(1,741)	(8)	(1,668)
Other comprehensive income	-	(8,034)	-	-	(8,034)
Effects of adoption of MFRS 9	-	7,451	-	-	7,451
At 31 December 2023	<u>(626)</u>	<u>(583)</u>	<u>(12,741)</u>	<u>(8)</u>	<u>(13,958)</u>
<b>2022 (Restated)</b>					
At 1 January 2022	(704)	(57)	(8,320)	-	(9,081)
Recognised in:					
Profit or loss	(3)	57	(2,680)	-	(2,626)
Other comprehensive income	-	-	-	-	-
At 31 December 2022	<u>(707)</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>	<u>(11,707)</u>

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**14. SHARE CAPITAL**

	2023		2022	
	Number of share	Share capital RM'000	Number of share	Share capital RM'000
Issued and fully paid up				
At the beginning of the financial year	150,000,002	150,000	100,000,002	100,000
Issued during the financial year	-	-	50,000,000	50,000
At the end of the financial year	150,000,002	150,000	150,000,002	150,000

In the previous financial year on 27 May 2022, the Company issued 50,000,000 new ordinary shares for cash of RM50,000,000 for working capital purpose. The new ordinary shares issued on 27 May 2022 ranked pari passu with the other ordinary shares in issue as of that date.

**15. RESERVES**

**(a) Retained earnings**

The Company is under the single-tier tax system wherein dividends paid are tax exempted in the hands of the shareholders. The Company may distribute single-tier exempt dividends to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

**(b) Capital contribution reserve**

The capital contribution reserve represents:

- (i) the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities at the date of the business transfer from ZLIMB; and
- (ii) capital contribution from the Shareholder's fund of ZLIMB which comprises Malaysian Government Securities, Government Investment Issues, corporate debt securities and cash.

**(c) Fair value reserve**

The fair value reserve of the Company represents the fair value gains or losses of financial assets at fair value through other comprehensive income ("FVOCI"), net of deferred tax.

**(d) Insurance finance reserve**

The insurance finance reserve of the Company represents the cumulative changes to the carrying amount of insurance contracts issued and reinsurance contracts held arising from the effect and changes in the time value of money and financial risks.

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**16. INSURANCE CONTRACT LIABILITIES**

The roll-forward of the net liabilities for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

	<b>2023</b>				
	<b>Liabilities for Remaining Coverage</b>		<b>Liabilities for Incurred Claims</b>		
	<b>Excluding Loss-Recovery Component</b>	<b>Loss Component</b>	<b>Estimates of the Present Value of Future Cash Flows</b>	<b>Risk Adjustment</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Insurance contract liabilities as at 1 January</b>	377,369	497	1,151,636	40,755	1,570,257
<b>Insurance revenue</b>	(980,468)	-	-	-	(980,468)
Insurance service expense:					
Incurred claims and other insurance service expenses	108,147	-	455,523	-	563,670
Losses from onerous contracts	-	52	-	-	52
Changes to liabilities for incurred claims	-	-	61,451	(3,053)	58,398
Amortisation of insurance acquisition cash flows	100,111	-	-	-	100,111
<b>Insurance service result</b>	(772,210)	52	516,974	(3,053)	(258,237)
Insurance finance expense	803	-	38,653	1,243	40,699
<b>Total changes in the statement of profit or loss</b>	(771,407)	52	555,627	(1,810)	(217,538)
<b>Cash flows</b>					
Premium received	1,013,072	-	-	-	1,013,072
Claims and other insurance service expenses paid	-	-	(455,523)	-	(455,523)
Insurance acquisition cash flows paid	(212,628)	-	-	-	(212,628)
<b>Insurance contracts cash flow movements</b>	800,444	-	(455,523)	-	344,921
<b>Insurance contract liabilities as at 31 December</b>	<b>406,406</b>	<b>549</b>	<b>1,251,740</b>	<b>38,945</b>	<b>1,697,640</b>

Included in Insurance contract liabilities and the Company's share of insurance contract liabilities of MMIP amounting to RM15,128,000 (2022: RM17,635,000).

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**16. INSURANCE CONTRACT LIABILITIES (CONTINUED)**

The roll-forward of the net liabilities for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below: (continued)

	<b>2022 (Restated)</b>				
	<b>Liabilities for Remaining Coverage</b>		<b>Liabilities for Incurred Claims</b>		
	<b>Excluding Loss- Recovery Component</b>	<b>Loss Component</b>	<b>Estimates of the Present Value of Future Cash Flows</b>	<b>Risk Adjustment</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Insurance contract liabilities as at 1 January</b>	369,958	608	1,045,226	41,874	1,457,666
<b>Insurance revenue</b>	(930,559)	-	-	-	(930,559)
Insurance service expense:					
Incurred claims and other insurance service expenses	133,483	-	397,897	-	531,380
Losses from onerous contracts	-	(111)	-	-	(111)
Changes to liabilities for incurred claims	-	-	86,296	(1,861)	84,435
Amortisation of insurance acquisition cash flows	94,965	-	-	-	94,965
<b>Insurance service result</b>	(702,111)	(111)	484,193	(1,861)	(219,890)
Insurance finance expense	(281)	-	20,114	742	20,575
<b>Total changes in the statement of profit or loss</b>	(702,392)	(111)	504,307	(1,119)	(199,315)
<b>Cash flows</b>					
Premium received	940,249	-	-	-	940,249
Claims and other insurance service expenses paid	-	-	(397,897)	-	(397,897)
Insurance acquisition cash flows paid	(230,446)	-	-	-	(230,446)
<b>Insurance contracts cash flow movements</b>	709,803	-	(397,897)	-	311,906
<b>Insurance contract liabilities as at 31 December</b>	377,369	497	1,151,636	40,755	1,570,257

Included in Insurance contract liabilities and the Company's share of insurance contract liabilities of MMIP amounting to RM17,635,000 (2021: RM23,934,000).

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**17. LEASE LIABILITIES**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-current lease liabilities	2,805	8,930
Current lease liabilities	2,970	1,855
<b>Total lease liabilities</b>	<u>5,775</u>	<u>10,785</u>

Reconciliation of movement of liabilities to cash flows arising from financing activities.

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	10,785	6,454
Payment of lease liabilities	(3,765)	(4,418)
Accrued interest	213	127
Additions	-	250
Modification	(1,368)	8,463
Remeasurement	(90)	(91)
At 31 December	<u>5,775</u>	<u>10,785</u>

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**18. OTHER LIABILITIES**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash collaterals held on bond business	13,131	15,378
Unclaimed monies	49	149
Tenant deposits	576	576
Accrual for unutilised staff leave	1,436	1,602
Accrued expenses	99,954	97,113
Provision for Sales and Services Tax	22,624	20,136
Other payables	36,466	33,011
	<u>174,236</u>	<u>167,965</u>

Included in other payables as at December 2023 is a provision of RM617,000 (2022: RM617,000) for the termination benefits and related costs arising from a restructuring exercise carried out by the Company in the previous financial year. Also included in other payables is a provision for the penalty imposed by MyCC of RM5,665,552 as disclosed in Note 4(f).

The carrying amounts of financial liabilities disclosed above approximate the fair values at the date of the statement of financial position due to their short-term maturity.

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**19. INSURANCE SERVICE RESULT**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
Insurance revenue:		
Contracts measured under PAA	980,468	930,559
Insurance service expenses:		
Incurred claims and other expenses	(622,068)	(615,815)
Amortisation of insurance acquisition cash flows	(100,111)	(94,965)
(Losses)/reversal of losses on onerous contracts	(52)	111
	<u>(722,231)</u>	<u>(710,669)</u>
<b>Insurance service result before reinsurance contracts held</b>	<u>258,237</u>	<u>219,890</u>
Allocation of reinsurance premium paid	(153,717)	(143,426)
Amounts recoverable from reinsurers for incurred claims	<u>(2,443)</u>	<u>22,575</u>
<b>Net expense from reinsurance contracts held</b>	<u>(156,160)</u>	<u>(120,851)</u>
<b>Insurance service result</b>	<u>102,077</u>	<u>99,039</u>

**20. INVESTMENT INCOME**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>FVTPL financial assets</b>		
Dividend income		
Unit trust unquoted in Malaysia	74,249	-
Real estate investment trusts ("REITs") quoted in Malaysia	5,188	-
<b>FVOCI financial assets</b>		
Interest income	3,129	-
Amortisation of premiums, net of accretion of discounts	(164)	-
<b>AFS financial assets</b>		
Dividend income		
Unit trust unquoted in Malaysia	-	56,694
Real estate investment trusts ("REITs") quoted in Malaysia	-	4,413
<b>Amortised cost</b>		
Interest/profit income		
Fixed and call deposits	1,661	981
<b>Non-current assets held-for-sale</b>		
Gross rental income	18	33
Less: Rates and maintenance	(555)	(579)
Other investment income	<u>1,441</u>	<u>1,344</u>
<b>Total investment income</b>	<u>84,967</u>	<u>62,886</u>



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**21. REALISED GAINS AND LOSSES**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVTPL</b>		
Realised gains:		
REITs quoted in Malaysia	533	-
Unit trusts unquoted in Malaysia	5,532	-
	<u>6,065</u>	<u>-</u>
<b>AFS financial assets</b>		
Realised gains:		
Corporate debt securities	-	491
Realised losses:		
REITs quoted in Malaysia	-	(475)
Unit trusts unquoted in Malaysia	-	(852)
	<u>-</u>	<u>(836)</u>
<b>Non-financial assets</b>		
Realised losses:		
Assets classified as held-for-sale	-	(3)
	<u>-</u>	<u>-</u>
<b>Total Realised Gains/(Losses)</b>	<u>6,065</u>	<u>(839)</u>

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**22. INSURANCE FINANCE EXPENSES/(INCOME) FOR INSURANCE CONTRACTS ISSUED**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
In Profit or loss:		
Interest accreted using locked-in rate	<u>37,426</u>	<u>26,214</u>
In Other comprehensive income:		
Changes in interest rates and other financial assumptions	<u>2,488</u>	<u>(4,285)</u>

**23. REINSURANCE FINANCE (INCOME)/EXPENSES FOR REINSURANCE CONTRACTS HELD**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
In Profit or loss:		
Interest accreted using locked-in rate	(10,375)	(7,930)
Changes in non-performance risk by reinsurers	<u>104</u>	<u>268</u>
	<u>(10,271)</u>	<u>(7,662)</u>
In Other comprehensive income:		
Changes in interest rates and other financial assumptions	<u>(386)</u>	<u>1,290</u>

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**24. OTHER EXPENSES**

	<b>2023</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b> <b>Restated</b>
Realised gain on disposal of property, plant and equipment	150	-
Realised foreign exchange gain	189	344
Unrealised foreign exchange gain/(loss)	12	(12)
Finance costs	(213)	(127)
Other non-attributable expenses	(31,379)	(23,440)
	<u>(31,241)</u>	<u>(23,235)</u>

An analysis of the expenses incurred by the Company is provided below:

	<b>Note</b>	<b>2023</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Staff costs (including Chief Executive Officer - Note 24(a)):		94,167	86,264
Directors' remuneration	24(a)	587	607
Auditors' remuneration:			
Statutory audit		306	258
Regulatory-related audit		37	37
Other assurance services		216	50
Commission expenses		129,744	131,957
Depreciation of property, plant and equipment	5	3,099	3,043
Write-offs of property, plant and equipment	5	-	21
Depreciation of right-of-use assets	6	3,555	4,075
Expenses relating to leases of low-value assets	6	93	748
Amortisation of intangible assets	7	2,870	2,916
Advertising and promotion expenses		12,962	15,382
Other miscellaneous expenses		5,886	11,992
		<u>253,522</u>	<u>257,350</u>

**Represented by:**

Insurance service expenses:			
Maintenance expenses		59,482	80,605
Acquisition expenses		161,452	152,290
Investment related expenses		1,209	1,015
Other non-attributable expenses		31,379	23,440
		<u>253,522</u>	<u>257,350</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. OTHER EXPENSES (CONTINUED)**

(a) Directors' and Chief Executive Officer's remuneration

The Directors' and Chief Executive Officer's remuneration and other emoluments during the current financial year are as follows:

	<b>Fees RM'000</b>	<b>Salary RM'000</b>	<b>Bonus RM'000</b>	<b>Others RM'000</b>	<b>Benefits- in kind RM'000</b>	<b>Total RM'000</b>
<b><u>2023</u></b>						
Chief Executive Officer						
Junior Namjick Cho	-	1,872	975	2,288	30	5,165
	<u>-</u>	<u>1,872</u>	<u>975</u>	<u>2,288</u>	<u>30</u>	<u>5,165</u>
Non-Executive Directors						
Steven Choy Khai Choon	172	-	-	29	-	201
Philip Seah Cheng Chua	90	-	-	41	-	131
Datin Seri Sunita Mei-Lin Rajakumar	90	-	-	31	-	121
Kuah Kock Heng	90	-	-	44	-	134
	<u>442</u>	<u>-</u>	<u>-</u>	<u>145</u>	<u>-</u>	<u>587</u>

The remuneration of the Executive Director of the Company, Timothy William Howell is paid by the Group during the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. OTHER EXPENSES (CONTINUED)**

(a) Directors' and Chief Executive Officer's remuneration (continued)

The Directors' and Chief Executive Officer's remuneration and other emoluments during the previous financial year are as follows:

	<b>Fees RM'000</b>	<b>Salary RM'000</b>	<b>Bonus RM'000</b>	<b>Others RM'000</b>	<b>Benefits- in kind RM'000</b>	<b>Total RM'000</b>
<b><u>2022</u></b>						
Chief Executive Officer						
Junior Namjick Cho	-	2,102	926	1,849	35	4,912
	<u>-</u>	<u>2,102</u>	<u>926</u>	<u>1,849</u>	<u>35</u>	<u>4,912</u>
Non-Executive Directors						
Steven Choy Khai Choon	172	-	-	29	-	201
Philip Seah Cheng Chua	90	-	-	58	-	148
Datin Seri Sunita Mei-Lin Rajakumar	90	-	-	31	-	121
Kuah Kock Heng	90	-	-	47	-	137
	<u>442</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>-</u>	<u>607</u>

The remuneration of the Executive Director of the Company, Timothy William Howell was paid by the Group during the previous financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. OTHER EXPENSES (CONTINUED)**

(a) Directors' and Chief Executive Officers' remuneration (continued)

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the current financial year fall within the following bands are analysed as follows:

	<b>Number of Directors</b>	
	<b>2023</b>	<b>2022</b>
Non-Executive Directors:		
RM100,001 – RM200,000	3	3
RM200,001 – RM300,000	1	1

**25. TAXATION**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax		
Current financial year	14,304	15,688
(Over)/under provision in prior financial year	(1,295)	962
	<u>13,009</u>	<u>16,650</u>
Deferred tax		
Origination and reversal of temporary differences	9,327	(208)
Under/(over) provision in prior financial year	663	(826)
	<u>9,990</u>	<u>(1,034)</u>
	<u><u>22,999</u></u>	<u><u>15,616</u></u>

The income tax for the Company is calculated based on the tax rate of 24% of the estimated assessable profit for the financial year.

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

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>166,931</u>	<u>111,380</u>
Taxation at Malaysian statutory tax rate of 24%	40,064	26,732
Income not subject to tax	(18,307)	(13,586)
Expenses not deductible for tax purposes	1,874	2,334
Net (over)/under provision of tax and deferred tax in prior financial year	<u>(632)</u>	<u>136</u>
Tax expense	<u><u>22,999</u></u>	<u><u>15,616</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26. DIVIDEND**

The Company paid a final dividend of 17 sen per ordinary share for the financial year ended 31 December 2022 amounting to RM 25,000,000 on 28 June 2023.

**27. EARNINGS PER SHARE**

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

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

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary equity holders	<u>143,932</u>	<u>95,765</u>
Weighted average number of shares in issue	<u>150,000</u>	<u>130,000</u>
Basic and diluted earnings per share (sen)	<u>95.95</u>	<u>73.67</u>

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

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**28. CASH FLOWS**

	<b>Note</b>	<b>2023</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
<b>Net profit for the financial year</b>		143,932	95,765
Investment income	20	(84,967)	(62,886)
Realised (gains)/losses recorded in profit or loss			
(Gains)/losses on disposal of FVTPL financial assets	21	(6,065)	839
Gains on disposal of property, plant and equipment		(150)	-
Fair value (gains)/losses recorded in profit or loss		(32,907)	7,919
Expected credit loss on FVOCI		690	-
Purchases of FVOCI/AFS financial assets	9	(652,531)	(327,952)
Proceeds from sale and redemption of FVTPL/AFS	9	406,752	3,676
		<u>(225,246)</u>	<u>(282,639)</u>
<b>Non-cash items:</b>			
Depreciation of property, plant and equipment	5	3,099	3,043
Depreciation of right of use assets	6	3,555	4,075
Amortisation of intangible assets	7	2,870	2,916
Write-offs of property, plant and equipment	5	-	21
Provision for restoration cost		-	65
Remeasurement for right-of-use assets		-	2
Interest expense on lease liabilities	17	213	127
Tax expense	25	22,999	15,616
<b>Changes in working capital:</b>			
(Decrease)/increase in reinsurance contract assets		23,419	(20,205)
Decrease in other receivables		3,309	668
Increase in insurance contract liabilities		124,109	118,230
Increase in other liabilities		4,136	24,304
<b>Cash utilised in operating activities</b>		<u>(37,537)</u>	<u>(133,777)</u>



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**29. SIGNIFICANT RELATED PARTY DISCLOSURES**

**(a) Related parties and relationship**

The related parties and their relationship with the Company as at 31 December 2023 are as follows:

<u>Name of company</u>	<u>Relationship</u>
Zurich Insurance Group Limited ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Penultimate holding company
Zurich Holdings Malaysia Berhad ("ZHMB")	Immediate holding company
Zurich Services Malaysia Sdn. Bhd. ("ZSM")	Subsidiary of ZICL
Zurich Shared Services Malaysia Sdn. Bhd. ("ZSSM")	Subsidiary of ZSM
Zurich Services (Hong Kong) Limited	Subsidiary of ZICL
Zurich American Insurance Company	Subsidiary of ZICL
Zurich Australia Insurance Limited	Subsidiary of ZICL
Zurich International Life Limited	Subsidiary of ZICL
Zurich Global Investment Management Inc.	Subsidiary of ZICL
Zurich Financial Services Australia Limited	Subsidiary of ZICL
PT Zurich Topas Life	Subsidiary of ZICL
Zurich Life Insurance Malaysia Berhad	Subsidiary of ZICL
Zurich Takaful Malaysia Berhad	Subsidiary of ZHMB
Zurich General Takaful Malaysia Berhad	Subsidiary of ZHMB
Zurich Insurance Company Ltd., Singapore Branch	Branch office of ZICL
Zurich Insurance Company Ltd., Japan Branch	Branch office of ZICL

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**29. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**

**(b) Related party transactions**

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiaries and associated companies of ZIGL, collectively known as ZIGL Group, at agreed terms and prices.

The significant related party transactions during the financial year with related parties are as follows:

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses/(income)</b>		
<b><u>Non-trade</u></b>		
<b>Penultimate holding company/branch offices</b>		
Reimbursement of staff costs	2,911	(26)
Reimbursement of expenses made on behalf	(949)	4
<b>Subsidiaries of penultimate holding company</b>		
Reimbursement of staff costs	1,538	344
Information technology expenses	282	1,806
Outsourcing expenses	8,200	5,622
Reimbursement of expenses made on behalf	6,508	4,499
<b>Subsidiaries of immediate holding company</b>		
Reimbursement of staff costs	6	6
Outsourcing income	(30,650)	(27,873)
Reimbursement of expenses made on behalf	(11,072)	(7,569)
<b><u>Trade</u></b>		
<b>Penultimate holding company/branch offices</b>		
Reinsurance premium paid	15,435	15,556
Reinsurance commission received	(3,829)	(4,154)
Reinsurance claims recovered	(5,429)	(3,452)
<b>Subsidiaries of immediate holding company</b>		
Reinsurance premium received	(1,302)	(1,472)
Reinsurance commission paid	290	363
Reinsurance claims paid	189	34

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**29. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**

**(c) Related party balances**

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

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due from related companies:</b>		
Insurance receivables**	-	230
Other receivables*	6,386	4,261
<b>Amount due to related companies:</b>		
Insurance payables**	(15,731)	(24,086)
Other payables*	(2,073)	(879)

\* These balances are unsecured, interest-free and repayable in the short-term.

\*\* This balance is unsecured, interest-free and payable in accordance with the relevant insurance contracts.

**(d) Key management personnel's remuneration**

The remuneration of the key management personnel including CEO during the financial year are as follows:

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries, other short-term employee benefits and directors' emoluments	9,063	9,694
Defined contribution plans	1,074	1,071
Share-based payments/benefits	2,261	2,365
	<u>12,398</u>	<u>13,130</u>
CEO's remuneration and Directors' emoluments (Note 24(a))	<u>5,165</u>	<u>4,912</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company includes the Directors, Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Company.

The estimated cash value of benefits-in-kind provided to the Chief Executive Officer of the Company amounted to RM30,000 (2022: RM35,000).

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **29. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**

##### **(d) Key management personnel's remuneration (continued)**

###### Share based payments/benefits

The global long term incentive plan is an executive incentive plan administered globally by a central shareholding vehicle. The Company purchases the right to shares from this shareholding vehicle for Malaysia resident executives who participate in the plans. When shares vest with the participants, the central shareholding vehicle transfers those shares directly to the participants. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

#### **30. RISK MANAGEMENT FRAMEWORK**

##### **Risk Governance Structure**

The Company adopts the three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirements are incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and, ultimately, the Company. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.

The adoption of the Framework is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight over technology-related matters and sustainability related matters. The Company has established senior management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset Liability Management and Investment Committee ("ALMIC"), Human Resource Committee ("HRC"), Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), Risk and Control Committee ("RCC"), Occupational Safety and Health Committee ("OSHC"), Sustainability Council and the various Senior Management Committees for General Businesses. All these committees are chaired by the Chief Executive Officer or a member of the senior management team.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposures and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

##### **Governance and Regulatory Framework**

The Company is required to comply with the FSA and BNM Regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply where possible.

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**30. RISK MANAGEMENT FRAMEWORK (CONTINUED)**

**Capital Management**

The Company's capital management policy is to create shareholder's value, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements, and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework regulated by BNM is 130% for each insurance entity. The Company complied with the minimum CAR as at 31 December 2023.

The regulated capital of the Company as at 31 December 2023 comprised of Available Capital of RM794,608,000 (2022: RM669,465,000).

The capital structure of the Company as at 31 December 2023, as prescribed under the RBC Framework, is shown below:

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier 1 Capital</u></b>		
Paid-up share capital	150,000	150,000
Reserves, including retained earnings	685,907	596,081
	<u>835,907</u>	<u>746,081</u>
<b><u>Tier 2 Capital</u></b>		
Fair value through other comprehensive income ("FVOCI") reserves	<u>1,847</u>	<u>(23,596)</u>
Less:		
<b><u>Deductions</u></b>		
Intangible asset	(27,556)	(30,222)
Deferred tax assets	(15,590)	(22,798)
	<u>(43,146)</u>	<u>(53,020)</u>
<b>Total Capital Available</b>	<u>794,608</u>	<u>669,465</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. INSURANCE RISK**

The Company underwrites various general insurance contracts, which are mostly on annual coverage and annual premium basis, the exception being short term policies such as Travellers' Personal Accident and Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual policies with coverage period of more than one year such as Contractor's All Risks and Workmen's Compensation. A majority of the insurance business written by the Company is Motor and Fire. Other classes of business include Medical and Health Expenses, Personal Accident, Engineering, Liability, Bond and other miscellaneous classes.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of the insurance liabilities. By underwriting insurance contracts, the Company takes on insurance risk by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments differ significantly from expectations; the risks arise from fluctuations in timing, frequency and severity of claims as well as the adequacy of premiums and reserves.

The Company may also be exposed to risks arising from climate changes, natural disasters and terrorism activities. For longer tail claims that take some years to settle, there is also inflation risk.

The Company's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Company seeks to underwrite risks that they understand and that provide a reasonable opportunity to earn an acceptable profit.

The Company manages its insurance risks by having a clearly defined framework as follows:

- Writing a balanced mix and spread of business, geographically and between classes of business
- Underwriting strategies focused on profitable classes of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individuals' capacity in the underwriting process;
- Mitigating insurance risks through purchase of both proportional and non-proportional reinsurance
- Monitoring level of exposure of single reinsurer or group of related reinsurers. Placing reinsurance with other companies of the Company's parent is used as an initial step on a significant portion of the reinsurance program to enable group-wide reinsurance purchasing efficiencies;
- Regular monitoring of claims experience and comparing actual experience against that implied in pricing; and
- Actuarial models, using information from the management information systems, are used in calculating and monitoring premium and claims patterns. Historical experience and actuarial methods are used as part of the process.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. INSURANCE RISK (CONTINUED)**

The table below shows the concentration of the net insurance contracts liabilities by type of insurance contracts issued:

	2023			2022 (Restated)		
		Re- insurance held	Net		Re- insurance held	Net
	Insurance RM'000	RM'000	RM'000	Insurance RM'000	RM'000	RM'000
Fire	126,422	(76,193)	50,229	139,179	(91,339)	47,840
Motor	830,741	(20,105)	810,636	723,275	(17,997)	705,278
Marine, Aviation and Transit	30,862	(8,982)	21,880	26,047	(13,023)	13,024
Miscellaneous	302,660	(201,538)	101,122	303,890	(211,970)	91,920
At 31 December	<u>1,290,685</u>	<u>(306,818)</u>	<u>983,867</u>	<u>1,192,391</u>	<u>(334,329)</u>	<u>858,062</u>

**Key Assumptions**

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of initial expected loss ratios, average claim costs, claim handling costs, claim inflation factors, discount rates and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation, may affect the estimates.

Other circumstances which may affect the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. INSURANCE RISK (CONTINUED)**

**Sensitivities**

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

The analysis below is performed on the total portfolio for movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity, which is presented post tax. The correlation among assumptions will have a significant effect in determining the ultimate impact, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. A change in assumptions in the opposite direction is expected to have an equal but opposite impact on gross and net liabilities, profit before tax and equity.

	Change in assumptions	Impact on	Impact on	Impact on	Impact on
		gross claim liabilities	net claim liabilities	profit before tax	equity*
		RM'000	RM'000	RM'000	RM'000
		< ----- Increase / (decrease) ----- >			
<u>31 December 2023</u>					
Average claim cost	+10%	110,854	78,321	(78,321)	(59,524)
Average number of claims	+10%	95,832	73,772	(73,772)	(56,066)
<u>31 December 2022</u>					
Average claim cost	+10%	96,707	63,053	(63,053)	(47,920)
Average number of claims	+10%	81,139	57,196	(57,196)	(43,469)

\* Impact on equity is stated net of 24% tax

**Claims Development Table**

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

As required by MFRS 17, In setting claims provisions, the Company considers the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the accident year is at an early stage of development, and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. INSURANCE RISK (CONTINUED)**

Gross undiscounted liability for incurred claims for 2023:

	Prior to 2017 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	Total RM'000
Accident Year:									
At end of the accident year		362,269	399,200	463,977	483,599	668,682	552,152	608,395	
One year later		343,203	384,172	432,669	458,707	653,292	569,226	-	
Two years later		342,467	384,430	456,003	448,493	618,801	-	-	
Three years later		341,606	385,654	459,651	436,834	-	-	-	
Four years later		339,423	382,715	452,575	-	-	-	-	
Five years later		343,034	380,030	-	-	-	-	-	
Six years later		333,729	-	-	-	-	-	-	
Gross estimates of the undiscounted amount of the claims		<u>333,729</u>	<u>380,030</u>	<u>452,575</u>	<u>436,834</u>	<u>618,801</u>	<u>569,226</u>	<u>608,395</u>	
At end of accident year		136,036	135,444	178,803	138,121	134,119	157,945	198,446	
One year later		232,395	240,346	260,744	220,061	244,286	272,574	-	
Two years later		275,228	305,345	327,489	275,612	309,666	-	-	
Three years later		304,344	332,537	365,207	309,057	-	-	-	
Four years later		312,831	348,316	380,689	-	-	-	-	
Five years later		318,904	354,779	-	-	-	-	-	
Six years later		320,721	-	-	-	-	-	-	
Cumulative payments to-date		<u>320,721</u>	<u>354,779</u>	<u>380,689</u>	<u>309,057</u>	<u>309,666</u>	<u>272,574</u>	<u>198,446</u>	
Direct and facultative inwards	15,674	13,008	25,251	71,886	127,777	309,135	296,652	409,949	1,269,332
Treaty inwards									543
MMIP									<u>12,070</u>
									1,281,945
									20,482
									(50,687)
									<u>38,945</u>
									<u>1,290,685</u>

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**31. INSURANCE RISK (CONTINUED)**

Net undiscounted liability for incurred claims for 2023:

	Prior to 2017 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	Total RM'000
Accident Year:									
At end of the accident year		299,695	327,263	378,098	401,479	495,138	494,537	559,140	
One year later		295,476	327,967	360,212	376,404	480,193	510,315	-	
Two years later		300,238	332,689	382,340	376,591	464,467	-	-	
Three years later		302,184	336,982	387,913	373,623	-	-	-	
Four years later		300,775	338,402	384,202	-	-	-	-	
Five years later		-	336,841	-	-	-	-	-	
Six years later		294,746	-	-	-	-	-	-	
Net estimates of the undiscounted amount of the claims		294,746	336,841	384,202	373,623	464,467	510,315	559,140	
At end of accident year		124,359	127,652	157,175	132,529	129,055	153,250	189,867	
One year later		208,314	218,818	235,115	210,469	231,742	260,007	-	
Two years later		246,481	269,375	289,107	263,188	290,727	-	-	
Three years later		271,872	294,864	324,932	294,425	-	-	-	
Four years later		279,456	309,509	339,925	-	-	-	-	
Five years later		285,304	315,656	-	-	-	-	-	
Six years later		287,064	-	-	-	-	-	-	
Cumulative payments to-date		287,064	315,656	339,925	294,425	290,727	260,007	189,867	
Direct and facultative inwards	6,977	7,682	21,185	44,277	79,198	173,740	250,308	369,273	952,640
Treaty inwards									543
MMIP									12,070
									965,253
									20,482
									(40,832)
									23,278
									968,181
									15,686
									983,867

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. INSURANCE RISK (CONTINUED)**

Gross undiscounted liability for incurred claims for 2022 (Restated):

	Prior to 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Accident Year:									
At end of the accident year		364,025	362,269	399,200	248,728	287,726	320,586	552,152	
One year later		343,854	343,203	267,682	248,986	311,060	601,113	-	
Two years later		342,654	287,367	266,820	250,210	410,979	-	-	
Three years later		312,400	288,806	264,637	329,255	-	-	-	
Four years later		311,410	291,300	288,223	-	-	-	-	
Five years later		309,061	296,246	-	-	-	-	-	
Six years later		315,284	-	-	-	-	-	-	
Gross estimates of the undiscounted amount of the claims		315,284	296,246	288,223	329,255	410,979	601,113	552,152	
At end of accident year		130,186	136,036	135,444	104,902	115,801	81,940	157,945	
One year later		239,707	232,395	200,443	169,901	182,546	192,107	-	
Two years later		287,015	248,726	229,559	197,093	238,098	-	-	
Three years later		293,721	260,612	238,045	234,812	-	-	-	
Four years later		299,050	266,043	253,824	-	-	-	-	
Five years later		300,972	272,116	-	-	-	-	-	
Six years later		304,155	-	-	-	-	-	-	
Cumulative payments to-date		304,155	272,116	253,824	234,812	238,098	192,107	157,945	
Direct and facultative inwards	20,533	11,129	24,130	34,399	94,444	172,881	409,006	394,207	1,160,729
Treaty inwards									683
MMIP									14,285
									1,175,697
									20,608
									(44,669)
									40,755
									1,192,391

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. INSURANCE RISK (CONTINUED)**

Net undiscounted liabilities for incurred claims for 2022 (Restated):

	Prior to 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Accident Year:									
At end of the accident year		306,667	299,695	327,263	200,315	233,763	243,875	494,537	
One year later		292,146	295,476	231,966	205,037	255,891	429,078	-	
Two years later		295,059	246,871	233,912	209,330	328,781	-	-	
Three years later		276,879	247,713	232,503	266,018	-	-	-	
Four years later		276,184	247,452	254,722	-	-	-	-	
Five years later		273,347	258,994	-	-	-	-	-	
Six years later		275,778	-	-	-	-	-	-	
Net estimates of the undiscounted amount of the claims		<u>275,778</u>	<u>258,994</u>	<u>254,722</u>	<u>266,018</u>	<u>328,781</u>	<u>429,078</u>	<u>494,537</u>	
At end of accident year		122,056	124,359	127,652	91,166	108,666	77,940	153,250	
One year later		218,994	208,314	178,208	141,723	162,658	180,627	-	
Two years later		256,926	222,722	203,600	167,212	215,378	-	-	
Three years later		262,136	232,199	211,184	203,037	-	-	-	
Four years later		266,304	235,357	225,829	-	-	-	-	
Five years later		267,275	241,204	-	-	-	-	-	
Six years later		269,899	-	-	-	-	-	-	
Cumulative payments to-date		<u>269,899</u>	<u>241,204</u>	<u>225,829</u>	<u>203,037</u>	<u>215,378</u>	<u>180,627</u>	<u>153,250</u>	
Direct and facultative inwards	6,979	5,879	17,789	28,893	62,981	113,403	248,451	341,287	825,662
Treaty inwards									683
MMIP									14,285
									840,630
									20,608
									(34,330)
									22,831
									849,739
									8,323
									<u>858,062</u>

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**32. FAIR VALUE INFORMATION**

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair value due to relative short-term nature of these financial instruments.

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year. (2022: no transfer in either directions).

**Level 3 fair value**

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties and debt securities from organisations in default. The fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgements. Movements in level 3 fair value assets are disclosed in Note 8.

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#### 32. FAIR VALUE INFORMATION (CONTINUED)

##### Financial instruments and non-financial assets carried at fair value

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2023</b>				
Financial assets at FVTPL:				
Real estate investment trusts quoted in Malaysia	80,832	-	-	80,832
Unit trusts unquoted in Malaysia	1,715,981	-	-	1,715,981
Financial assets at FVOCI:				
Malaysian Government Securities/ Government Investment Issues	-	57,858	-	57,858
Corporate debt securities	-	420,716	-	420,716
Non-financial assets:				
Non-current asset held-for-sale	-	-	2,986	2,986
	<u>1,796,813</u>	<u>478,574</u>	<u>2,986</u>	<u>2,278,373</u>

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**32. FAIR VALUE INFORMATION (CONTINUED)**

**Financial instruments and non-financial assets carried at fair value (continued)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2022</b>				
AFS financial assets:				
Real estate investment trusts quoted in Malaysia	83,063	-	-	83,063
Unit trusts unquoted in Malaysia	1,901,916	-	-	1,901,916
	<u>1,984,979</u>	<u>-</u>	<u>-</u>	<u>1,984,979</u>
Non-financial assets:				
Non-current assets held-for-sale	-	-	2,986	2,986
	<u>1,984,979</u>	<u>-</u>	<u>2,986</u>	<u>1,987,965</u>

**33. FINANCIAL RISK**

The Company is exposed to financial risks, including credit risk, liquidity risk, market risk and operational risk during the normal course of its business. The Company has put in place established procedures and guidelines to monitor the risks on an on-going basis.

**Credit Risk**

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is assumed through three main mechanisms.

- i) The assumption of credit risk through investment strategies relating to financial assets;
- ii) Credit risk created through reinsurance, where a reinsurance asset represents an obligation of the reinsurer to the Company; and
- iii) Receivables within the business, where the Company is owed payment or services by a third party. Most typically this arises from a sale of insurance policies.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A- or A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad ("MARC") and Rating Agency Malaysia Berhad ("RAM") respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but also depends on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

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**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit periods, putting in place collection procedures and rigorously monitoring its credit portfolio.

**Credit Exposure**

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and reinsurance contract assets.

The table below shows the maximum exposure to credit risk for financial instruments and reinsurance contract assets on the statement of financial position:

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
Cash and cash equivalents	80,626	79,386
Investments:		
Financial assets at FVOCI:		
Malaysia government papers	57,858	-
Corporate debt securities	420,716	-
Reinsurance contract assets	297,082	319,993
Other receivables*	8,111	6,237
	<u>864,393</u>	<u>405,616</u>

\*Excludes prepayment of RM2,298,000 (2022: RM2,218,000) and assets held under MMIP of RM37,139,000 (2022: 40,299,000).



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Credit exposure by credit rating**

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets and reinsurance contract assets according to the Company's credit rating of counterparties.

	<b>Government Guaranteed</b>	<b>Investment grade (AAA to BBB)</b>	<b>Non- investment grade (BB to C)</b>	<b>Not rated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2023</u>					
Investments:					
Financial assets at FVOCI:					
Malaysia government papers	57,858	-	-	-	57,858
Corporate debt securities	40,625	380,091	-	-	420,716
Reinsurance contract assets	-	293,479	20	3,583	297,082
Other receivables*	-	-	-	8,111	8,111
Cash and cash equivalents	-	80,600	-	26	80,626
	<u>98,483</u>	<u>754,170</u>	<u>20</u>	<u>11,720</u>	<u>864,393</u>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000) and assets held under MMIP of RM37,139,000 (2022: RM40,299,000).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Credit exposure by credit rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets and reinsurance contract assets according to the Company's credit rating of counterparties. (continued)

	<b>Government Guaranteed</b>	<b>Investment grade (AAA to BBB)</b>	<b>Non- investment grade (BB to C)</b>	<b>Not rated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2022 (Restated)</u>					
Reinsurance contract assets	-	307,866	27	12,100	319,993
Other receivables*	-	-	-	6,237	6,237
Cash and cash equivalents	-	79,360	-	26	79,386
	<u>-</u>	<u>387,226</u>	<u>27</u>	<u>18,363</u>	<u>405,616</u>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000) and assets held under MMIP of RM37,139,000 (2022: RM40,299,000).

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**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Credit exposure by credit rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets and reinsurance contract assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	<b>Government Guaranteed</b>	<b>AAA to AA</b>	<b>A1 to A3</b>	<b>BBB1 to BBB3</b>	<b>BB and below</b>	<b>Not rated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2023</u>							
Investments:							
Financial assets at FVOCI:							
Malaysia government papers	57,858	-	-	-	-	-	57,858
Corporate debt securities	40,625	373,562	6,529	-	-	-	420,716
Reinsurance contract assets	-	235,618	57,848	13	20	3,583	297,082
Other receivables*	-	-	-	-	-	8,111	8,111
Cash and cash equivalents	-	60,081	20,519	-	-	26	80,626
	<u>98,483</u>	<u>669,261</u>	<u>84,896</u>	<u>13</u>	<u>20</u>	<u>11,720</u>	<u>864,393</u>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000) and assets held under MMIP of RM37,139,000 (2022: RM40,299,000).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Credit exposure by credit rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets and reinsurance contract assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

	<b>Government Guaranteed</b>	<b>AAA to AA</b>	<b>A1 to A3</b>	<b>BBB1 to BBB3</b>	<b>BB and below</b>	<b>Not rated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>31 December 2022 (Restated)</u>							
Reinsurance contract assets	-	252,126	55,727	13	27	12,100	319,993
Other receivables*	-	-	-	-	-	6,237	6,237
Cash and cash equivalents	-	56,422	22,938	-	-	26	79,386
	<u>-</u>	<u>308,548</u>	<u>78,665</u>	<u>13</u>	<u>27</u>	<u>18,363</u>	<u>405,616</u>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000) and assets held under MMIP of RM37,139,000 (2022: RM40,299,000).

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment assessment**

The Company's ECL assessment and measurement method is set out below.

**Significant increase in credit risk, default and cure**

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Expected credit loss**

The Company assesses the possible default events within 12 months for the calculation of the 12months ECL ("12m ECL"). Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

The Company's reinsurance contract assets are subject to the reinsurers' non-performance risk ("NPR"). Provision matrix is applied to compute the credit allowance impairment of the reinsurance contract assets based on the credit rating of the reinsurers.

**Impairment losses on financial investments subject to impairment assessment**

**Debt instruments measured at FVOCI**

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on the Company's internal credit rating system.

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
<b>Internal rating grade</b>			
Investment grade	402,511	-	402,511
Non-investment grade	76,063	-	76,063
<b>Total gross amount</b>	478,574	-	478,574
ECL	(690)	-	(690)
<b>Total net amount</b>	477,884	-	477,884

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 33. FINANCIAL RISK (CONTINUED)

##### Credit Risk (continued)

##### Impairment losses on financial investments subject to impairment assessment (continued)

##### Debt instruments measured at FVOCI (continued)

An analysis of changes in the fair value and the corresponding ECLs of the Company's debt instruments measured at FVOCI is, as follows:

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
<b>Fair value as at 1 January</b>	-	-	-
Purchases	472,917	-	472,917
Change in fair value	1,740	-	1,740
Accretion of interest	3,917	-	3,917
<b>At 31 December</b>	<b>478,574</b>	<b>-</b>	<b>478,574</b>

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
<b>ECL as at 1 January</b>	-	-	-
Purchases	(470)	-	(470)
Disposals (sale and redemptions)	-	-	-
Unwind of discount	(220)	-	(220)
<b>At 31 December</b>	<b>(690)</b>	<b>-</b>	<b>(690)</b>

Comparatives for the year ended 31 December 2022 are not presented as the Company adopted MFRS 9 from MFRS 139 as disclosed in the Note 2.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment losses on reinsurance contract assets subject to impairment assessment**

**Reinsurance contract assets**

An analysis of changes in the Company's reinsurance contract assets and the corresponding NPRs is, as follows:

	<b>2023</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b> <b>Restated</b>
<b>Gross carrying amount</b>		
<b>At 1 January</b>	340,846	327,362
(Decrease)/increase in reinsurance contract assets	(21,266)	13,484
<b>At 31 December</b>	<u>319,580</u>	<u>340,846</u>
	<b>2023</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b> <b>Restated</b>
<b>NPR</b>		
<b>At 1 January</b>	(3,010)	(2,742)
Increase in credit impairment allowance	(105)	(268)
<b>At 31 December</b>	<u>(3,115)</u>	<u>(3,010)</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk**

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are in place to ensure sufficient funding is available to meet insurance and investment contracts obligations.

As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

The Company's catastrophe excess-of-loss reinsurance contract contains clauses permitting the Company to make cash call claims and receive immediate payment for large losses should claims events exceed a certain amount.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity analysis**

**Maturity analysis for insurance contract liabilities and reinsurance contract assets (present value of future cash flows basis)**

The following table summarises the maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are assets of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	Up to 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	Total RM'000
<b>2023</b>							
Insurance contract liabilities	888,186	436,152	209,671	100,419	41,021	22,191	1,697,640
Reinsurance contract assets	(137,987)	(100,743)	(36,353)	(14,309)	(5,280)	(2,410)	(297,082)
	<u>750,199</u>	<u>335,409</u>	<u>173,318</u>	<u>86,110</u>	<u>35,741</u>	<u>19,781</u>	<u>1,400,558</u>
<b>2022 (Restated)</b>							
Insurance contract liabilities	792,498	421,928	204,345	92,939	37,664	20,883	1,570,257
Reinsurance contract assets	(134,535)	(109,388)	(45,727)	(19,820)	(7,400)	(3,123)	(319,993)
	<u>657,963</u>	<u>312,540</u>	<u>158,618</u>	<u>73,119</u>	<u>30,264</u>	<u>17,760</u>	<u>1,250,264</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity analysis (continued)**

**Maturity analysis for financial assets and financial liabilities (contractual undiscounted cash flow basis)**

The following table summarises the maturity profile of financial assets and financial liabilities of the Company based on remaining undiscounted contractual cash flows, including interest receivable.

<b>2023</b>	<b>Carrying value</b>	<b>Up to 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>5-15 years</b>	<b>&gt;15 years</b>	<b>No maturity date</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>								
Financial assets at FVTPL	1,796,813	-	-	-	-	-	1,796,813	1,796,813
Financial assets at FVOCI	478,574	66,373	217,107	209,354	44,890	-	-	537,724
Other receivables*	45,250	45,250	-	-	-	-	-	45,250
Cash and cash equivalents	80,626	80,626	-	-	-	-	-	80,626
<b>TOTAL</b>	<b>2,401,263</b>	<b>192,249</b>	<b>217,107</b>	<b>209,354</b>	<b>44,890</b>	<b>-</b>	<b>1,796,813</b>	<b>2,460,413</b>
<b>Financial liabilities</b>								
Lease liabilities	5,775	3,127	2,693	204	-	-	-	6,024
Other liabilities	174,236	172,696	1,361	179	-	-	-	174,236
<b>TOTAL</b>	<b>180,011</b>	<b>175,823</b>	<b>4,054</b>	<b>383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180,260</b>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity analysis (continued)**

**Maturity analysis for financial assets and financial liabilities (contractual undiscounted cash flow basis) (continued)**

The following table summarises the maturity profile of financial assets and financial liabilities of the Company based on remaining undiscounted contractual cash flows, including interest receivable. (continued)

<b>2022 (Restated)</b>	<b>Carrying value RM'000</b>	<b>Up to 1 year RM'000</b>	<b>1-3 years RM'000</b>	<b>3-5 years RM'000</b>	<b>5-15 years RM'000</b>	<b>&gt;15 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>								
AFS financial assets	1,984,979	-	-	-	-	-	1,984,979	1,984,979
Other receivables*	46,536	46,536	-	-	-	-	-	46,536
Cash and cash equivalents	79,386	79,386	-	-	-	-	-	79,386
<b>TOTAL</b>	<b>2,110,901</b>	<b>125,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,984,979</b>	<b>2,110,901</b>
<b>Financial liabilities</b>								
Lease liabilities	10,785	4,831	5,734	239	93	-	-	10,897
Other liabilities	167,965	165,219	2,218	368	160	-	-	167,965
<b>TOTAL</b>	<b>178,750</b>	<b>170,050</b>	<b>7,952</b>	<b>607</b>	<b>253</b>	<b>-</b>	<b>-</b>	<b>178,862</b>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000).

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**33. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity analysis (continued)**

**Maturity analysis on expected maturity bases**

The table below summarises the expected utilisation or settlement of assets and liabilities of the Company.

	2023			2022 (Restated)		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>						
Financial assets at FVTPL	-	1,796,813	1,796,813	-	-	-
Financial assets at FVOCI	47,657	430,917	478,574	-	-	-
AFS financial assets	-	-	-	-	1,984,979	1,984,979
Other receivables*	45,250	-	45,250	46,536	-	46,536
Cash and cash equivalents	80,626	-	80,626	79,386	-	79,386
	<u>192,249</u>	<u>2,209,014</u>	<u>2,401,263</u>	<u>125,922</u>	<u>1,984,979</u>	<u>2,110,901</u>
<b>Financial liabilities</b>						
Lease liabilities	2,970	2,805	5,775	4,775	6,010	10,785
Other liabilities	172,696	1,540	174,236	165,219	2,746	167,965
	<u>175,666</u>	<u>4,345</u>	<u>180,011</u>	<u>169,994</u>	<u>8,756</u>	<u>178,750</u>
<b>Reinsurance contract assets</b>						
Reinsurance held	<u>137,987</u>	<u>159,095</u>	<u>297,082</u>	<u>134,535</u>	<u>185,458</u>	<u>319,993</u>
<b>Insurance contract liabilities</b>						
Insurance issued	<u>888,186</u>	<u>809,454</u>	<u>1,697,640</u>	<u>792,498</u>	<u>777,759</u>	<u>1,570,257</u>

\* Excludes prepayment of RM2,289,000 (2022: RM2,218,000).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**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 comprises three types of exposures i.e. foreign exchange rates (currency risk), market interest rates (interest rate / profit yield risk) and market prices (price risk).

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structures and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

**Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and / or liabilities will fluctuate because of changes in foreign exchange rates.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the FSA and, hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main currency risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

The Company's main currency risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

**Exposure to foreign currency risk**

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	<b>US Dollar</b>
	<b>RM'000</b>
<b>2023</b>	
Cash and cash equivalents	<u><u>5,135</u></u>
<b>2022</b>	
Cash and cash equivalents	<u><u>4,311</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33. FINANCIAL RISK (CONTINUED)**

**Market Risk (continued)**

**Interest Rates / Profit Yield Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company is exposed to interest rate risk through its debt instruments held and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred.

The sensitivity analysis below illustrates impact of 50bps increase/decrease in interest rate/ profit yield to insurance contract liability value, holding other variables constant.

<u>Changes in variables (RM)</u>	<u>2023</u>		<u>2022</u>	
	<u>Impact on equity*</u>	<u>Impact on insurance contract liabilities*</u>	<u>Impact on equity*</u>	<u>Impact on insurance contract liabilities*</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<------(Decrease) / Increase----->			
<u>Company</u>				
+50 basis points	(10,341)	(5,586)	(3,473)	(4,570)
-50 basis points	10,172	5,185	3,526	4,639

\* Impact on equity/insurance contract liabilities is stated net of tax at 24%.

**Other Price Risk**

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

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**33. FINANCIAL RISK (CONTINUED)**

**Market Risk (continued)**

**Other Price Risk (continued)**

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 Company does not issued any participating contracts. The Company monitors and manages the exposure against investment guidelines set and agreed by the ALMIC. These investment guidelines include monitoring the exposure against benchmarks set and single security exposure of the portfolio against the limits set. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The Company invests in unit trust funds which fair value is quoted as the Net Asset Value (NAV) per unit in circularisation. The Company is exposed to the changes in NAV/unit of these funds.

The following table demonstrates the sensitivity to a reasonable change in market indices on the real estate investment trusts, as well as the net asset value ("NAV") of the unquoted unit trusts with exposure to debt securities :

	Impact on equity*	
	2023	2022
	RM'000	RM'000
<u>Change in FTSE Bursa Malaysia</u>		
FBM KLCI +15%	(576)	2,832
FBM KLCI – 15%	(9,412)	(6,217)
<u>Change in NAV</u>		
NAV +3%	39,124	43,364
NAV – 3%	(39,124)	(43,364)

\* Impact on equity is stated after 24% tax

**34. OPERATIONAL RISK**

Operational risk arises from inadequate or failed internal processes, people and system or from external events. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, cybersecurity incident, landslide or flood.

The Company has developed a comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures to monitor and control the risk. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via a structured risk assessment process.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK**

**Strategic Risk**

Strategic risk refers to the unintended risk that can emerge as a by-product of planning or executing Zurich Malaysia's strategy.

Strategic risks can arise from:

- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

Zurich Malaysia works to manage risks associated with strategic business decisions through the risk assessment processes and tools, including the Total Risk Profiling™ process. As part of Zurich Malaysia's annual assessment of strategic risks, the senior management assesses potential risk from both external and internal factors, looking at current year and beyond. The senior management defines actions to respond as appropriate and reviews changes to the key risks and status of their actions at least quarterly.

**Reputation Risk**

Reputation risk is the risk that an act or omission by the Company or any of its employees could result in a reputational damage or loss of trust in Zurich Malaysia among any of its stakeholders. It includes potential negative publicity regarding Zurich Malaysia's business practices.

Zurich Malaysia aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of Zurich Malaysia's code of conduct that promotes integrity and good business practice.
- Living up to its sustainability commitments.

Zurich Malaysia centrally manages certain aspects of the risk of reputation, for example, communications through functions with the appropriate expertise. Potential risks to Zurich Malaysia's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

**Sustainability Risk**

Sustainability risk is the risk to Zurich Group's brand and reputation resulting from not responsibly taking environmental, social and governance issues into account throughout the business and for not seeking to create sustainable value for all stakeholders.

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**35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)**

**Sustainability Risk (Continued)**

Sustainability means doing business today in a way that safeguards the future of our Company and our society. Sustainability risks and opportunities emanate both from the effects that environmental, social and governance ("ESG") challenges have on the Company, as well as from how the Company handles its positive or negative impact on ESG issues. To protect against financial and reputation impacts, both perspectives are included in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational and interdependent. As an insurer, the Company faces risks from climate change and shall disclose its climate risk in line with the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TFCD") and BNM's Policy Document on Climate Risk Management and Disclosures.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected as a result of these trends, insurers are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

The Company works with its customers and investee companies to support responsible and sustainable business practices while promoting best practices managing ESG risks. The Group has policies in place that define the sustainability positions for which Zurich has no underwriting or investment appetite, and this is also applicable locally. Zurich continuously works to develop relevant products and services that help solve the most pressing societal and environmental issues of today.

**Sustainability risk approach**

To support the Company's businesses in applying its purposes and values, as well as mitigating reputation risk impacts, the Company has established a systematic and integrated approach to identify, assess and recommend actions on potential risks and opportunity areas from a sustainability perspective across all the Company's activities, in particular for operations, investment management and underwriting.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)**

**Sustainability risk approach (continued)**

This is a three-step process:

- Issue identification: Identify relevant issues to be considered within the risk assessment process by monitoring channels such as media, social media, information from non-governmental organisation and Zurich's business.
- Risk assessment: Assess issues related to public commitments, the role of insurance underwriting, market exposure and materiality. The Chief Executive Officer approves position statements, recommended business actions, and reputational management decisions.
- Implementation: Implement mitigating actions, including managing reputational impacts locally in the business. Mobilise expert support available across the Company and escalate as necessary, according to governance procedures.

Zurich applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, Zurich engages and works together with relevant stakeholders on the margins of Zurich's thresholds to ensure responsible and sustainable business practices.

Clear roles and responsibilities, starting with the Board of Directors of Zurich General Insurance Malaysia Berhad and Zurich management, support effective oversight and actions with respect to climate change and other sustainability risks.

**36. COMPLIANCE RISK**

The company has developed internal policies and procedures (for example, Trade and Economic Sanctions Local Standard, Introduction of New Products Framework, Outsourcing Framework, etc.) to align with the laws and guidelines issued by Zurich Group Compliance and the local regulatory authorities.

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