TUNE INSURANCE MALAYSIA BERHAD

197601004719 (30686-K)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2019

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in the underwriting of all classes of general insurance business. There have been no significant changes in the nature of this activity during the financial year. The principal activity of the subsidiary and other information relating to the subsidiary are set out in Note 5(d) to the financial statements.

Holding company

The immediate and ultimate holding company is Tune Protect Group Berhad ("TPG"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Results

	Group RM'000	Company RM'000
Net profit for the year	36,998	34,115

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

Dividends

The amount of dividend declared and paid by the Company since 31 December 2018 was as follows:

	RM'000
Final Single-Tier dividend of RM0.10 per ordinary share amounting to RM10,001,321 in respect of the financial year ended 31 December 2018 approved on 16 May 2019 and paid on 3 June 2019.	10,001

Tune Protect Group Berhad Employees' Share Option Scheme ("ESOS")

On 18 March 2014, Tune Protect Group Berhad offered 15,715,000 ESOS shares to eligible employees of Tune Protect Group Berhad and its subsidiaries. The offer period was from 18 March 2014 to 17 April 2014. The ESOS will be exercisable over a period of 10 years from the grant date of 17 April 2014 at an exercise price of RM1.71 per ESOS share. There were no ESOS shares exercised during the year.

Board of Directors

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

Mohd Yusof Bin Hussian
- Independent Non-Executive Director, Chairman

Chee Siew Eng
- Independent Non-Executive Director

Tan Ming-Li
- Independent Non-Executive Director

Lim Chong Beng
- Independent Non-Executive Director

Hong Kean Yong
- Independent Non-Executive Director (ceased office on 2 June 2019)

Khoo Ai Lin
- Non-Independent Executive Director (appointed on 9 August 2019)

Profiles of Directors

The following are the profiles of the Directors of the Company.

Mohd Yusof Bin Hussian
- Independent Non-Executive Director

Encik Mohd Yusof bin Hussian is an Independent Non-Executive Director of Tune Insurance Malaysia Berhad. He was appointed to the Board on 23 May 2012 and is the Chairman of the Board and a member of the Risk Management Committee, Audit Committee, Investment Committee, Nomination Committee and Remuneration Committee.

Board of Directors (cont'd.)

Profiles of Directors (cont'd.)

Mohd Yusof Bin Hussian (cont'd.)
- Independent Non-Executive Director

Encik Mohd Yusof is a graduate of Universiti Teknologi MARA, a fellow member of the Association of Chartered Certified Accountants (UK), a member of the Chartered Institute of Purchasing and Supply (UK), a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Financial Planner. He was a member of the ACCA Malaysian Advisory Committee for 5 years. Encik Mohd Yusof became a Fellow member of Institute of Corporate Directors Malaysia (ICDM) in 2019.

He started his career with Coopers & Lybrand from 1971 to 1976 as an external auditor. He later joined PTM Thompson Advertisings Sdn Bhd, an affiliate of J. Walter Thompson Group in USA, as the Finance and Administration Manager cum Company Secretary, and subsequently joined Shell Malaysia in 1986. He held various positions in Shell and its refinery which included amongst others, Internal Auditor, Treasurer, Finance and Services Manager and Procurement Contract Manager. He resigned as a Special Project Manager from Shell in 1999 on an early retirement.

He is presently an Independent Non-Executive Director of Proton Commerce Sdn Bhd, an associate company of Proton Holdings Berhad, and an Associate Director of CG Board Asia Pacific Sdn Bhd while also holding directorship roles in Boilermech Holdings Berhad and Nano Malaysia Berhad.

Chee Siew Eng
- Independent Non-Executive Director

Mr. Chee Siew Eng was appointed to the Board on 23 May 2012 as an Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He holds a Bachelor of Arts Degree in Economics from the University of Malaya. He is a member of the Chartered Insurance Institute, U K (ACII) and the Malaysian Insurance Institute (MII).□

He started his career in insurance with the office of the Director General of Insurance, Ministry of Finance as an insurance officer from 1977 to 1988. Subsequently, he joined Bank Negara Malaysia in May 1988 as a manager of the Insurance Regulatory Department and was promoted to Deputy Director prior to his retirement in 2008. In 2010, he was engaged as a consultant to assist Perbadanan Insurans Deposit Malaysia (PIDM) in formulating a new framework and legislation for the Insurance Compensation Scheme in Malaysia.

He also sits on the Board of Malaysian Life Reinsurance Group Berhad.

Board of Directors (cont'd.)

Profiles of Directors (cont'd.)

Tan Ming-Li
- Independent Non-Executive Director

Ms. Tan Ming-Li was appointed as Independent Non-Executive Director of the Company on 1 April 2014. She is the Chairman of the Nomination Committee and Remuneration Committee and a member of the Risk Management Committee and Audit Committee of the Company.

Ms. Tan is a graduate from the University of Melbourne, Australia with a double degree in Law (Hons) and Science.

She is currently a partner in the legal firm, Chooi & Company + Cheang & Ariff (formerly known as Cheang & Ariff) and has been in legal practice since 1994. She specialises in corporate and securities law where she is principally involved in advising on capital market transactions, mergers and acquisitions, corporate restructuring as well as corporate finance related work. Prior to joining present firm in 1997, she practiced law in the firm of Allen & Gledhill, Kuala Lumpur, in the areas of corporate and commercial litigation and intellectual property.

Ms. Tan also sits on the Boards of Tune Protect Group Berhad and BP Plastics Holding Berhad.

Lim Chong Beng
- Independent Non-Executive Director

Mr. Lim Chong Beng was appointed as an Independent Non-Executive Director of the Company on 1 September 2015. He is the Chairman of the Audit Committee and Investment Committee and a member of the Risk Management Committee, Nomination Committee and Remuneration Committee.

He graduated from the University of Leeds, England with a Bachelor of Arts in Economics (Hons) and is a Fellow of the Institute of Chartered Accountants in England & Wales and an Associate of the Malaysian Institute of Accountants.

Mr. Lim completed his articleship with a chartered accounting firm in London, England. Upon obtaining his professional qualification and returning to Malaysia, Mr. Lim joined Price Waterhouse for several years, attaining the position of Senior Audit Manager before leaving to join the insurance industry.

Board of Directors (cont'd.)

Profiles of Directors (cont'd.)

Lim Chong Beng (cont'd.)
- Independent Non-Executive Director

Mr. Lim has 29 years of experience in the general insurance industry having worked as the Vice President, Finance in British American Life & General Insurance Berhad (now known as Manulife Insurance Malaysia Berhad) and General Manager of Finance and IT in Berjaya Sompo Insurance Berhad and Tokio Marine Insurance Malaysia Berhad. His work experience covered all areas of Financial Accounting and he had served as the Compliance Officer, Risk Management Head and Chief Internal Auditor in his later years with Tokio Marine. Mr. Lim was the Deputy Convenor of the Finance Sub-Committee of Persatuan Insurans Am Malaysia (PIAM) for many years and had represented PIAM in dialogues and discussions with the regulatory authorities on financial matters relating to the general insurance industry.

Khoo Ai Lin
- Non-Independent Executive Director

Ms. Khoo Ai Lin was appointed as the Non-Independent Executive Director of the Company on 9 August 2019. She is a member of the Investment Committee of the Company.

She graduated from La Trobe University, Australia and holds a Bachelor’s degree in Economics, majoring in Banking and Finance.

Ms. Khoo held the position of Chief Executive Officer of the Company from 2 August 2017 to 7 May 2019. During this time, she was also appointed as Chief Executive Officer of Tune Protect Group Berhad ("TPG"), the holding company of the Company, on 14 January 2019.

With more than 20 years of experience in the financial services industry, Ms. Khoo’s portfolio spans across key roles in partnerships, distribution, bancassurance, business development and affinity business within the life, general and composite insurance sectors. A well-established thought leader and partner in the Malaysian insurance industry, Ms. Khoo was the Chief Marketing Officer at a multinational insurance company prior to joining the Group.

She is currently also a Director of Tune Protect Re Ltd, a company incorporated in Labuan, Tune Insurance Public Company Limited, a company incorporated in Thailand, and Tune Protect Commercial Brokerage LLC, a company incorporated in the United Arab Emirates.

Board of Directors (cont'd.)

Profiles of Directors (cont'd.)

Trainings attended by the Directors

As an integral element of the process of appointing new directors, the Company ensures that there is an orientation and education programme for new board members. Directors will also receive further training from time to time on various aspects of their responsibilities as Directors of the Company such as new laws and regulations, to further enhance their skills and knowledge, where relevant. All the Directors have attended educational trainings and seminars and were given briefings, to keep abreast of new regulatory developments and the business environment. to assist them in the discharge of their duties. The following are the trainings attended by the Directors:

- BNM FI Conference 2019
- BNM-FIDE Forum Masterclass on Cybersecurity: Unseen Threats
- EY: MFRS 17: Understanding Its Impact and Consequences
- FIDE Forum: Focus Group Discussion
- FIDE Forum: Leadership in a Disruptive World - The Changing Role of Boards
- ICDM: The Role of Audit Committee in Ensuring Organisational Integrity, Risk & Governance
- ICLIF CG Watch: How Does Malaysia Rank by Asia Corporate Governance Association
- ICLIF: Raising Defences: Section 17A, Malaysian Anti-Corruption Commission Act
- KPMG: Audit Committee Institute Breakfast Roundtable 2019
- PIAM: IT Risk Management Training for Board members of member companies

Corporate governance and internal controls

The directors confirmed that the Company has complied with all prescriptive requirements of and adopts management practices that are consistent with the corporate governance principles set out in BNM/RH/PD 029-9: Corporate Governance ("the Corporate Governance Policy Document").

(a) Responsibilities of the Board and Board Committees

The Board of Directors ("the Board") is entrusted with the responsibility of providing direction on corporate objectives and business strategies, proper stewardship over Company resources, achievement of corporate objectives, and good corporate citizenship. The Board ensures that there is a sound decision making process and business operating environment, with proper risk management and internal control frameworks.

The Board ensures that it complies with the Financial Services Act, 2013 ("the Act") and the Corporate Governance Policy Document issued by Bank Negara Malaysia ("BNM") and other policy documents or directives issued by BNM, and other statutory and regulatory requirements. The Board had set up Board Committees to oversee and report on functional performances as part of its stewardship and oversight functions.

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees (cont'd.)

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of a financial institution, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the financial institution and its customers, officers and the general public. In fulfilling this role, the Board's roles, responsibilities and powers include:

(i) to review and approve strategies, business plans, risk appetite, initiatives and significant policies for the Company which would, singularly or cumulatively, have a material impact on the Company's risk profile and monitor management's performance in implementing them;

(ii) to set corporate values and clear lines of responsibility and accountability, including governance systems and processes that are communicated throughout the Company;

(iii) to oversee the implementation of the Company's governance and internal control frameworks, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

(iv) to oversee the selection, performance, remuneration and succession plans of the Key Senior Officers and Company Secretary prior to employment;

(v) to ensure that there shall be unrestricted access to independent advice or expert advice at the Company's expense in furtherance of the Board's duties (whether as a Board or a director in his/her individual capacity);

(vi) to formalise the ethical standards through a code of conduct which will be applicable throughout the Company and ensure the compliance of this code of conduct;

(vii) to promote together with the Key Senior Officers and ensure that the operations of the Company are conducted prudently, ethically and professionally, and within the framework of relevant laws and regulations;

(viii) to establish, approve, review, and monitor the Company's risk appetite and comprehensive risk management policies, processes and infrastructure, and receive regular reports therein;

(ix) to approve delegated authority for expenditure, lending, and other risk exposures;

(x) to oversee the conduct of the Company's business and consider emerging issues which may be material to the business and affairs of the Company;

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees (cont'd.)

(xi) to keep under review and maintain the Company's capital and liquidity positions as well as ensure that the Company's strategies promote sustainability;

(xii) to review and approve proposals for the allocation of capital and other resources within the Company;

(xiii) to review and approve the Company's annual capital and revenue budgets (and any material changes thereto);

(xiv) to ensure that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company's management that would provide the Board with a reasonable basis to make proper judgement on an ongoing basis as to the financial position and business prospects of the Company;

(xv) to review the adequacy and integrity of the Company's internal control system and management information systems, including systems for complying with applicable laws, regulations, rules, directives and guidelines;

(xvi) to set up an internal audit department staffed with qualified personnel to perform internal audit functions, covering financial and management audit as well as regulatory compliance that reports directly to the Company's Audit Committee;

(xvii) to establish procedures to assess any related party transactions or conflict of interest situations that may arise within the Company including any transaction, procedure or course of conduct that raises questions of management integrity;

(xviii) to establish and ensure the effective functioning and monitoring of the Audit, Risk Management, Nomination, Remuneration, Investment, and any other committees as deemed necessary by the Board, and to delegate appropriate authority and terms of reference to such committees established by the Board;

(xix) to prepare Audit Committee reports at the end of each financial year that will be clearly set out in the annual report of the Company;

(xx) to review major and/or material litigation situations against the Company as and when they arise;

(xxi) to ensure that the Company has a beneficial influence on the economic well-being of its community;

(xxii) to 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;

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees (cont'd.)

(xxiii) to receive and consider high level reports on matters material to the Company, in particular:
- relations with regulatory authorities;
- health and safety;
- insurance cover;
- disaster recovery;
- litigation and claims;
- premises; and
- public relations;

(xxiv) to receive the minutes of and/or reports from the committees established by the Board;

(xxv) to strive to achieve an optimum balance and dynamic mix of competent and diverse skill sets amongst the Board members;

(xxvi) to ensure adequate training of members of the Board;

(xxvii) to undertake an assessment of the independence of its independent directors annually in accordance with the assessment criteria to be developed by the Nomination Committee;

(xxviii) to conduct a Board evaluation through Nomination Committee, which comprises a Board Assessment and an Individual (Self & Peer) Assessment. The assessment of the Board is based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board, the Board process, the CEO’s performance, succession planning and Board governance. For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, role and duties, knowledge and integrity and assessment of independence;

(xxix) to undertake a proper process for Directors’ selection through Nomination Committee;

(xxx) to establish formal and transparent remuneration policies and procedures to attract and retain directors through Nomination Committee;

(xxxi) to ensure clear and accurate minutes are maintained, details of key deliberations and rationale for each decision made and any significant concerns or dissenting views must be recorded; and

(xxxii) to assume ultimate responsibility to ensure compliance with the provision of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Malaysian Anti-Corruption Commission ("MACC").

Corporate governance and internal controls (cont'd.)

(b) Audit Committee

The duties and responsibilities of the Audit Committee ("AC") are as follows:

(i) To consider the appointment or reappointment of the external auditors, the audit fees, to question the resignation or dismissal of the external auditors and to recommend the nomination of the external auditors;

(ii) To assess the suitability, objectivity and independence of the external auditors including by approving the provision of non-audit services by the external auditors;

(iii) To review annually the external auditors' audit plans, scope of their audit and their audit report;

(iv) To review with external auditors' the audited balance sheets and profit and loss accounts of the Company for purposes of approval before the financial statements are presented to the Board for adoption. To discuss problems and reservations arising from interim and final audits, and any matter the auditors may wish to discuss (in the absence of the Management where necessary);

(v) To review the external auditors' management letter and management's corresponding response in evaluating the Company's and the Group's system of internal controls. To ensure that the senior management takes necessary corrective actions to address external audit findings and recommendations in a timely manner;

(vi) To assess the effectiveness of the external audit, including meeting the external auditors without the presence of senior management at least annually;

(vii) To maintain regular, timely, open and honest communication with the external auditors, and requiring the external auditors to report to the AC on significant matters;

(viii) To do the following, in relation to the internal audit function:

- approve the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company;

- review and appraise annually, the performance and remuneration of the Head of Internal Audit and be consulted in his/her appointment and removal;

Corporate governance and internal controls (cont'd.)

(b) Audit Committee (cont'd.)

- review and approve the annual Audit Plan on audit work and programme and Budget of the Internal Audit Department and ensure that the department has adequate and competent resources and that the goals and objectives of the audit function commensurate with corporate goals;

- review the scope, approach and results of internal audit procedures to ensure compliance with internal auditing standards, company policies, laws and other regulatory requirements;

- review the adequacy of the scope, functions, frequency, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;

- review the key audit reports and ensuring that senior management takes necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;

- noting significant disagreements between the head of internal audit and senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process on the internal controls; and

- establishing a mechanism to assess the performance and effectiveness:
  - of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for the resignation;

(ix) Review and monitor the adequacy and integrity of the Company’s system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines. Review third-party opinions on the design and effectiveness of the financial institution’s internal control frame, when required;

(x) To consider and evaluate any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. To monitor compliance with the board’s conflicts of interest policy; and

Corporate governance and internal controls (cont'd.)

(b) Audit Committee (cont'd.)

(xi) Review the interim and final financial reports including the preliminary and final announcements to the authorities, of the results of the Company, focusing particularly on:

- any changes in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal and regulatory requirements.

(c) Nomination Committee

The duties and responsibilities of the Nomination Committee ("NC") are as follows:

(i) recommending to the Board for approval, the minimum requirements for the Board, i.e. required mix of skills, knowledge, experience, qualification, age, cultural background and gender and other core competencies required of a director;

(ii) assessing and recommending to the Board for their approval, nominees for directorships and Board committee members taking into consideration the nominees':

- skills, knowledge, expertise and experience;
- professionalism;
- integrity;
- potential conflict of interest situations and/or related party interests; and
- in the case of nominees for the position of independent non-executive directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected by the Board;

(iii) establishing rigorous process for the appointment and removal of directors. Such process will involve assessment of candidates against the minimum requirements set out below:

- a director must not be disqualified under section 59(1) of the Financial Services Act 2013 or section 68(1) of the Islamic Financial Services Act 2013, and must have been assessed by the Committee to have complied with the fit and proper requirements;

- a director must not have competing time commitments that impair his ability to discharge his duties effectively. The Committee shall recommend to the Board a policy on the maximum number of external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Company's operations;

Corporate governance and internal controls (cont'd.)

(c) Nomination Committee (cont'd.)

- a director must not be an active politician; and

- where a firm has been appointed as the external auditors of the Company, any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a director of the Company until at least two (2) years after:

  (a) he ceases to be an officer or partner of that firm; or
  (b) the firm last served as an auditor of the Company;

(iv) utilising a variety of approaches and sources in the search for suitable Board candidates including sourcing from external introductions, independent search firms and independent sources of director databases. The Committee shall also consider, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other Key Senior Officers or any director or shareholder;

(v) assessing and evaluating, on an annual basis:

- the desirability of the overall composition of the Board, considering the structure and development of excessive number of directorships, to ensure appropriate size, skills and professionalism;

- the balance between executive directors, non-executive directors and independent directors are maintained in accordance with the Main Market Listing Requirements ("MMLR"), Malaysian Code on Corporate Governance ("MCCG") and Corporate Governance Policy ("CGP") and in consideration of corporate governance best practices;

- the required mix of skills and experience and other qualities, including core competencies, which non-executive directors should bring to the Board;

- the desirable number of independent directors and independence of the Board's consistent with all legal and regulatory requirements including, but not limited to, the MMLR, MCCG and CGP;

- the desirability of renewing existing directorships, with due consideration given to the extent to which the interplay of the directors' expertise, skills, knowledge and experience was demonstrated with those of other Board members; and

- the possible representation of interest groups on the Board;

Corporate governance and internal controls (cont'd.)

(c) Nomination Committee (cont'd.)

(vi) recommending to the Board the removal of director(s) from the Board and/or Key Senior Officers and/or Company Secretary if the director/Key Senior Officer/Company Secretary is ineffective, errant and/or negligent in discharging his/her responsibilities;

(vii) establishing a mechanism for the formal annual assessment on the effectiveness of the Board, Key Senior Officers and Company Secretary as a whole and the contribution of each director to the effectiveness of the Board and the contribution of the Board's various committees. The Committee's annual assessment should be based on objective performance criteria, in line with established key performance indicators, as approved by the Board. All assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented;

(viii) to review the term of office and performance of the Board Committees and each of their members annually to determine whether such Board Committee and their members have carried out their duties in accordance with their terms of reference;

(ix) recommending and ensuring that all directors receive appropriate continuous training in order to maintain an adequate level of competency in order to effectively discharge their roles as directors, including but not limited to keeping abreast with developments in the financial industry and with changes in the relevant statutory and regulatory requirements;

(x) overseeing the appointment, management succession planning and performance evaluation of the Board, the Board committees, individual directors, Key Senior Officers and Company Secretary and to report their performance and areas of improvement to the Board at the end of each fiscal year;

(xi) periodically reporting to the Board on succession planning for the Board Chairman and Key Senior Officers, and working with the Board to evaluate potential successors;

(xii) determine annually whether a Director is independent as may be defined in the guidelines issued by Bank Negara Malaysia and in MMLR;

(xiii) authorised to seek independent professional advice, at the expense of the Company, in carrying out their duties if necessary; and

(xiv) assess and recommend to the Board, the re-appointment of Directors/Chief Executive Officer upon the expiry of their respective terms of appointment as approved by Bank Negara Malaysia.

Corporate governance and internal controls (cont'd.)

(d) Remuneration Committee

The duties and responsibilities of the Remuneration Committee ("RC") are as follows:

(i) review annually and recommend to the Board the overall remuneration policy for the Non-Executive Directors, Executive Directors and the Key Senior Officers (including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind) that support the Company's long-term success and shareholder value, and ensure that compensation is consistent with the Company's business strategy and long-term objectives, including but not limited to:

- attracting and retaining Directors and Key Senior Officers of requisite quality that increases productivity and profitability in the long run;

- motivating and creating incentives for Directors and Key Senior Officers to perform at their best;

- focusing attention on the achievement of desired goals and objectives;

- documented and approved by the full board and any changes thereto should be subject to the endorsement of the full board, including when material changes are made to the policy;

- reflecting the experience and level of responsibility borne by individual directors, the Chief Executive Officer and Key Senior Officers;

- being sufficient to attract and retain directors, Chief Executive Officer and Key Senior Officers of calibre needed to manage the Company successfully;

- balanced against the need to ensure that the funds of the insurers are not used to subsidise excessive remuneration packages; and

- periodically reviewing the remuneration of directors on the Board, particular on whether remuneration remains appropriate to each directors' contribution, taking into account the level of expertise, commitment and responsibilities undertaken;

Corporate governance and internal controls (cont'd.)

(d) Remuneration Committee (cont'd.)

(ii) make annual recommendations to the Board on the individual remuneration packages for the Executive Director and Key Senior Officers (including but not limited to director's fees, salaries, allowances, bonuses, share options and benefits-in-kind). The Committee shall ensure that such remuneration packages are competitive, fair and not excessive, and in determining such packages and arrangements the Committee must consider:

- the individual level of responsibilities undertaken, skills and experience as well as performance and contribution to the Company's growth and profitability, ensuring that the linkage between remuneration and performance is robust. However, the rewards-to-performance linkages should not create incentives for irresponsible behaviour and insider excesses;

- the underlying performance of the Company as a company on the whole, in light of the Company's business plans and consider competitors' results, analyst reports and the views of the Chairman of other Board committees;

- the relative weighting of fixed and variable remuneration for target performance varies with level of responsibility, complexity of the role and typical market practice;

- relevant market comparisons and practice as well as any other relevant guidance;

- that the performance criteria set are genuinely challenging and that they are more suitable than possible alternatives; and

- any other such factors as the Committee considers necessary or appropriate;

(iii) review annually the performance of the Non-Executive Directors, Executive Directors and Key Senior Officers and recommend to the Board specific adjustments in remuneration and/or reward payments, if any, taking into account the consideration the points set out in (d)(ii) above;

(iv) ensure that remuneration outcomes are symmetric with risk outcomes. This includes ensuring that for Key Senior Officers:

- a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and

- the variable portion of remuneration increases along with the individual's level of accountability;

Corporate governance and internal controls (cont'd.)

(d) Remuneration Committee (cont'd.)

(v) obtain advice from external sources or experts, if necessary, regarding remuneration practices of other companies of a similar size in a comparable industry sector for the purposes of comparison;

(vi) review and recommend to the Board the compensation payable to the Non-Executive Directors, Executive Directors, and Key Senior Officers in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(vii) review and recommend to the Board compensation arrangements relating to dismissal or removal of the Executive Director, or Key Senior Officers for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable, appropriate, fair and not excessive for the Company;

(viii) review its own performance and terms of reference at least once a year to ensure that the Committee is operating at maximum effectiveness and recommend any change it considers necessary to the Board of Directors for approval; and

(ix) be authorised to seek independent professional advice, at the expense of the Company, in carrying out their duties.

(e) Risk Management Committee

The duties and responsibilities of the Risk Management Committee ("RMC") are as follows:

(i) formulate high-level risk management strategies in line with the strategic objectives of the Company;

(ii) oversee the development of Enterprise Risk Management ("ERM") Strategies;

(iii) reviewing and recommending risk management framework, strategies, policies and risk tolerance/appetite for the Board's approval;

(iv) provide direction and oversight to the senior management;

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

(vi) ensuring adequate infrastructure, resources and systems are in place for an effective risk management framework;

Corporate governance and internal controls (cont'd.)

(e) Risk Management Committee

(vii) ensuring that the risk management process remains transparent and independent;

(viii) reviewing the reporting to the Board on measures taken to:

- Identify and examine principal risks faced by the Company; and
- Implement appropriate systems and internal controls to manage these risks;

(ix) reviewing the adequacy and effectiveness of management's internal controls, risk management process and compliance functions;

(x) reviewing the implementation of risk management as set out in BNM's policy document on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance;

(xi) reviewing the effectiveness of the reporting structure for the overall business activities and risk management functions and the implementation of the appropriate system to manage various types of risks undertaken by the organisation;

(xii) assisting the implementation of a sound remuneration system, examine the incentives provided by the remuneration system taking into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the task of the Board;

(xiii) overseeing the effective implementation of Technology Risk Management Framework and Cyber Resilience Framework to ensure the continuity of operations and delivery of financial services; and

(xiv) providing support to the Board on the oversight of technology related matters, including the adequacy of IT and cybersecurity strategic plans, reviewing technology related frameworks and ensuring risk assessments are conducted on material technology application.

(f) Investment Committee

The duties and responsibilities of the Investment Committee ("IC") are as follows:

(i) ensure transparent assessment of new investment proposal;

(ii) ensure investments are properly monitored and managed according to investment guidelines, statutory and/or regulatory guidelines;

(iii) review and recommend investment policies for all available funds of the Company, taking into consideration, key issues pertaining to asset allocation, objectives, acceptable risk levels and total returns on investment targets;

Corporate governance and internal controls (cont'd.)

(f) Investment Committee (cont'd.)

(iv) review external and internal fund management relating to eligible investments, diversification, concentration restriction and performance objective for specific fund managers' portfolios;

(v) ensure investment return and asset allocation are optimised;

(vi) evaluate any new investment proposals and recommend the approval of such investment to the Board;

(vii) review with the Internal Auditor on the proper adherence of policies and procedures and adequate internal controls in the administration of investment transactions;

(viii) review the appointment and termination of external fund managers or stockbrokers, at least once a year;

(ix) approve management fees of external fund managers;

(x) recommend the appointment of fund managers, consultants or other professional for Board's approval;

(xi) monitor and review performance of external fund managers on quarterly basis and to arrange meetings with them, when necessary;

(xii) undertake any other functions as may be assigned to the IC; and

(xiii) submit periodic investment reports to the Board for approval.

(g) Composition and meetings

As at the date of this report, the Board comprised four (4) Independent Non-Executive Directors ("**INED**") and one (1) Non-Independent Executive Director ("**NIED**"). All appointments are in accordance with the Act and Policy Documents issued by BNM.

The directors bring with them various skills, experience and knowledge in the insurance business to undertake stewardship and oversight of the Company.

The attendance of Directors is calculated based on their tenure of service in the Company during the financial year.

Corporate governance and internal controls (cont'd.)

(g) Composition and meetings (cont'd.)

There were changes in the Board composition during the financial year under review as indicated below. The Board met twelve (12) times, with attendance recorded as follows:

	Attendance
Chairman:	
Mohd Yusof Bin Hussian (INED)	12/12
Members:	
Chee Siew Eng (INED)	12/12
Tan Ming-Li (INED)	12/12
Lim Chong Beng (INED)	12/12
Hong Kean Yong (INED) (ceased office on 2 June 2019)	5/5
Khoo Ai Lin (NIED) (appointed on 9 August 2019)	4/4

(i) Risk Management Committee ("RMC")

As at the date of this report and throughout the financial year under review, the RMC comprised four (4) INEDs as follows:

	Attendance
Chairman:	
Chee Siew Eng (INED)	5/5
Members:	
Mohd Yusof Bin Hussian (INED)	5/5
Tan Ming-Li (INED)	5/5
Lim Chong Beng (INED)	5/5

The RMC met five (5) times during the financial year.

(ii) Audit Committee ("AC")

As at the date of this report, the AC comprised four (4) INEDs. The change in the AC composition during the financial year under review was as below:

	Attendance
Chairman:	
Lim Chong Beng (INED)	8/8
Members:	
Chee Siew Eng (INED)	8/8
Tan Ming-Li (INED)	8/8
Mohd Yusof Bin Hussian (INED)	8/8
Hong Kean Yong (INED) (ceased office on 2 June 2019)	5/5

The AC met eight (8) times during the financial year.

Corporate governance and internal controls (cont'd.)

(g) Composition and meetings (cont'd.)

(iii) Nomination Committee ("NC")

The NC comprised four (4) INEDs as at the date of this report. The change in the NC composition during the financial year under reivew was as follows:

	Attendance
<u>Chairman:</u>	
Tan Ming-Li (INED)	5/5
<u>Members:</u>	
Chee Siew Eng (INED)	5/5
Lim Chong Beng (INED)	5/5
Mohd Yusof Bin Hussian (INED)	5/5
Hong Kean Yong (INED) (ceased office on 2 June 2019)	2/2

The NC met five (5) times during the financial year.

(iv) Remuneration Committee ("RC")

The RC members comprised four (4) INEDs as at the date of this report and the change in the RC composition during the financial year under review was as follows:

	Attendance
<u>Chairman:</u>	
Tan Ming-Li (INED)	5/5
<u>Members:</u>	
Chee Siew Eng (INED)	5/5
Lim Chong Beng (INED)	5/5
Mohd Yusof Bin Hussian (INED)	5/5
Hong Kean Yong (INED) (ceased office on 2 June 2019)	2/2

The RC met five (5) times during the financial year.

Corporate governance and internal controls (cont'd.)

(g) Composition and meetings (cont'd.)

(v) Investment Committee ("IC")

As at the date of this report, the IC members comprised two (2) INEDs and (1) NIED. There were changes in the IC composition during the financial year under review and they were as follows:

	Attendance
Chairman:	
Hong Kean Yong (INED) (ceased office on 2 June 2019)	2/2
Lim Chong Beng (INED) (appointed on 1 July 2019)	2/2
Members:	
Mohd Yusof Bin Hussian (INED)	4/4
Khoo Ai Lin (NIED) (appointed on 9 August 2019)	1/1

The IC met four (4) times during the financial year.

(h) Management accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should operate, the management is accountable for the execution of the approved policies and attainment of the Company's corporate objectives.

(i) Corporate independence

All material related party transactions have been disclosed in Note 30 to the financial statements.

(j) Risk management framework

The Company’s risk management framework is designed to ensure that risks which could undermine the Company’s strategies, business goals, objectives, reputation and long-term viability are identified timely, assessed and monitored within the risk appetite and risk tolerance limits approved by the Board. This is supported by the Group-wide risk management organisation structure that delineates the function of risk taking, risk oversight and policy making. The risk reporting lines, authorities, roles and responsibilities are clearly specified in the Company’s Risk Management Framework ("RMF") as disclosed in Note 32 to the financial statements.

Corporate governance and internal controls (cont'd.)

(j) Risk management framework (cont'd.)

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate level of risk taken to the desired level of rewards. The Board approved the RMF details and the policies and processes for managing risks and opportunities, with the objective of building value for the stakeholders.

In accordance to the RMF, risks are identified using business mapping. The likelihood and impact of those risks are assessed based on a predefined Likelihood Rating table. Controls are put in place and their effectiveness are measured using the Control Effectiveness Rating table. Any residual risks are then managed with the implementation of risk mitigation strategies. The Risk Dashboard, which contains the main risks and Risk Registers are consolidated and monitored on a quarterly basis. The results of the assessment are presented to the Risk Management Committee for review and notation.

(k) Internal audit

The Company's internal audit function is governed by International Professional Practices Framework (“IPPF”) that organises authoritative guidance promulgated by The Institute of Internal Auditors (“IIA”), a global, guidance setting body. The IIA provides internal audit professionals worldwide with authoritative guidance organised in the IPPF.

The Company’s in-house Internal Audit function provides independent assurance on the adequacy and effectiveness of the systems of risk management and internal control. High impact risk areas identified are periodically assessed and form the basis of the risk-based internal audit plan and strategy. Internal Audit activities are approved by and monitored quarterly by the Board, through the Audit Committee. Remedial actions by Management arising from internal audit findings are tracked by the Audit Committee until resolution.

(l) Internal control framework

An effective internal control system provides reasonable assurance that the Company continues to pursue its goals in a manner that is effective and efficient, producing accurate and reliable reports, and is always in compliance with applicable laws and regulations. The key elements of the Company’s internal control are:

<u>Organisation Structure</u>

- The Board has established clear reporting lines, authorities, roles and responsibilities to support the internal control system. The EXCO (Executive Committee) assists the Board in their oversight on the day-to-day operations of the business.

- Management meetings are chaired by the Chief Executive Officer on a monthly basis to review financial performance and business development and deliberate on corporate matters.

Corporate governance and internal controls (cont'd.)

(I) Internal control framework (cont'd.)

Annual Budgeting Process

- The annual business plan and targets setting are tabled to the Board for approval. The management also present the monthly management accounts to the Board for review, which are measured against budgets and previous year’s results to gauge performance.

Code of Conduct

- The Code of Conduct governs how the Company interacts with its stakeholders – with integrity and respect for its business partners, shareholders, policyholders and employees.

Whistleblowing Policy

- The Whistleblowing Policy is applicable to all directors, and employees of the Company, whether permanent, temporary, or on contract basis. All reports under the Whistleblowing Policy are securely logged and confidentially channeled to the Chairman of the Risk Management Committee.

Underwriting and Claims

- Underwriting guidelines are established to manage and adequately assess risks being underwritten. Claims guidelines detail the written operational controls surrounding claims handling and settlement processes.

Operating Policies and Procedures

- The Company has established operating policies and procedures, which incorporate regulatory and internal requirements and are updated as and when there are changes.

- Operational authority limits are imposed by the Chief Executive Officer and other key management personnel with the Company for day-to-day operations, covering underwriting on acceptance risks, claims settlement, investment, acquisition and disposal of assets.

Corporate governance and internal controls (cont'd.)

(m) Financial reporting

The Directors are responsible for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

(n) Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(o) Remuneration

Remuneration for Senior Management

At Tune Insurance Malaysia Berhad, our remuneration policy is structured to create a competitive framework that will enable us to attract, reward, motivate and retain talent with the right mix of experience, skills and competencies to deliver the Company’s long term goals.

Key Principles

Our Remuneration Policy is set by the following principles:

- Simple and transparent – our remuneration practices are simple and straightforward, with the intention to drive understanding and ownership among our talent.

- Market competitiveness – when setting remuneration practices, the Company considers external factors (such as market dynamics, regulatory environment, competition) and internal factors (such as organisational design and cost structure).

- Performance and growth – the Company’s emphasis on a high performance culture is executed via a strong link between performance and rewards. This is implemented in a manner to balance top line growth with quality earnings and cash flow management in order for us to deliver sustainable results for our stakeholders.

Our remuneration policy or principles are applied across all levels of the organisation, and covers all functions including internal control functions.

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Components of Remuneration

Component	Purpose and application
Fixed Pay	
Base Salary	• Our base salary is set to attract and retain key talent by providing competitive pay that is externally benchmarked against relevant peers and with internal equity maintained. • In setting base salary, differences in individual performance and achievements, skillsets, job scope as well as competency levels are considered. • Salaries are reviewed and adjusted once a year and adjustments are made taking into consideration performance (merit increment), market/internal equity (equity increment) and upgrade into a bigger role (promotion increment). • The Company sets the company-wide salary increment pool taking into consideration market movement and projected performance for the upcoming financial year. • Increments implemented in the year 2019 were based on individual performance. Non-performing employees received minimal or no increment. • There is no guaranteed or contractual increase in base salary except for the increments mandated by the following Collective Agreements ("CA") for the Clerical and Executive population: - Association of Insurance Employers and National Union of Commercial Workers - Tune Insurance Malaysia Berhad and Persatuan Pegawai-Pegawai Pentadbiran Industri Insuran.
Fixed Bonus	• Other than employees falling under the scope of the CAs, no other employees received fixed or guaranteed bonuses.
Fixed Allowances	• Role-based fixed cash allowances which are paid monthly to certain segments of our employee pool, dependant on employees' role. • Quantum of the allowances are reviewed and set in accordance with external market benchmarking and Company's priorities.

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Components of Remuneration (cont'd.)

Component	Purpose and application
Variable Pay	
Performance bonus	• Performance bonus is a discretionary payment to employees to reward and recognise them for achievement of Company and individual goals. • Performance bonus is paid once a year, subsequent to the annual performance review. • The performance bonus pool is determined by the Board of Directors based on various factors including the Company's financial performance and market pull factors. • Performance bonus quantums are determined based on the Company's financial performance and individual employees' performance. Employees are measured on both Financial and Strategic/Financial Key Performance Indicators ("KPI"). • KPIs are set based on a cascading method. The Board of Directors set KPIs for the Chief Executive Officer, who cascades the goals to the senior management team. The management team would set departmental-wide goals to support the overall goals of the company. Each goal carries a weightage that is commensurate with the key focus area of that department or particular role. As a general rule, employees carry corporate, departmental and individual KPIs, with different weightages, all with the aim of supporting overall corporate goals. • Financial KPIs comprise targets on growth, profitability, cash flow and other key identified areas. Strategic KPIs may capture other quantitative aspects such as operational efficiency or qualitative aspects such as adherence to legal, regulatory and other ethical standards or self-development. • Weighted scores fall into a structured performance matrix ranging from Outstanding Performance to Unsatisfactory Performance. • The Company exercises discretion to not award non-performers any performance bonuses. • Performance and remuneration of Control Functions are measured and assessed independently from the business units they support to avoid any conflict of interest.

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Components of Remuneration (cont'd.)

Component	Purpose and application
Variable Pay (cont'd.)	
Performance bonus (cont'd.)	• All individual performance scores are calibrated organisation-wide. This is to allow for a consistent and objective evaluation of performance across the various departments functions as well as to ensure that the appropriate payouts are awarded in a fair manner. Final scores are signed off by the employee and the Line Manager. Performance summary of the organisation will be presented to the Board to support them in their discussion, deliberation and approval of the performance bonus pool.
Sales Incentive	• Available only to a limited segment of the employee population, i.e. the Sales personnel who meet their growth targets and exceed their bottom line targets. • Introduced to drive achievement of profitability targets in certain segments, which have been identified as critical in driving the Company's business transformation.
Long Term Incentive	• Awarded only to senior roles, with the approval of the Board of Directors and TPG ESOS Committee. At present, only the CEO has been awarded with share options. • Any gains derived from share options will be dependant on the share price of the holding company, Tune Protect Group Berhad, of which the Company is a key contributor. The share options have a vesting period and to-date, there has been no exercise of share options.

Governance of remuneration awards

The Company reviews the remuneration policy, principles and overall framework once every 2 years. However, changes may be made to specific areas where necessary, outside of the 2 year timeframe. As a responsible organisation, it is essential that local legislation and practices are observed. Should any clause of any policy conflict with the legislation, the latter will take precedent.

Performance and remuneration for Senior Key Officers and Other Material Risk Takers are reviewed on an annual basis and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Alignment between Risk and Rewards

Our Total Compensation, a mixture of fixed/variable cash compensation and benefits is designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome as well as individual's level and accountability.

The Company practices strong governance on performance and remuneration of control functions which are measured and assessed independently from the business units, with no commercial targets.

The Company participates in and performs annual market compensation reviews to benchmark against the market rate and internally to ensure compensation levels are set appropriately.

Performance Management principles ensure KPIs continue to focus on outcomes delivered that are aligned to our business plans. Every employee in the company carries a goal on Risk, Governance and Compliance in their individual scorecards. Being a responsible organisation, we continue to review and adjust our KPI setting to shape the organisational culture and actively drive risk and compliance agendas effectively, with inputs from control functions and Board Committees.

Internal audits are carried out regularly on all departments on a rotating basis, to assess instances of non-compliance with risk and compliance procedures as well as expected behaviours. Non-compliance cases are reported and investigated, where required. Depending on the severity, the audit findings would impact the employee's performance ratings which would have a direct impact on their remuneration.

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Quantitative disclosures

Total value of remuneration awards for the financial year - CEO	Unrestricted RM'000	Deferred RM'000
Fixed remuneration		
- Cash-based	736	-
- Shares and share-linked instruments	-	-
- Other	121	-
Variable remuneration		
- Cash-based	225	465*
- Shares and share-linked instruments	-	-
- Other	35	71*

Total value of remuneration awards for the financial year - Senior Management Team	Unrestricted RM'000	Deferred RM'000
Fixed remuneration		
- Cash-based	2,608	-
- Shares and share-linked instruments	-	-
- Other	332	-
Variable remuneration		
- Cash-based	308	210*
- Shares and share-linked instruments	-	-
- Other	40	27

*Subject to explicit adjustments such as clawback.

The above table summarises compensation paid to the Company’s senior management team for the financial year 2019. During the year 2019, none of the senior management team members received any guaranteed bonuses, sign-on awards or severance payments. In addition to the above, there is no outstanding deferred remuneration to be paid to the senior management team.

Remuneration for Directors

In remunerating its Directors, the Company is guided by the following principles:

(a) Salaries payable to Executive Directors shall not include a commission on or percentage of turnover;

(b) Fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Remuneration for Directors (cont'd.)

(c) Bonuses to Executive Directors shall not be guaranteed, except in the context of sign-on bonuses;

(d) Share options, if granted to Directors, shall not vest immediately. The vesting period of share options shall reflect the time horizon of risks and take account of the potential for risks to crystallise over a longer period of time; and

(e) The maxim “pay for performance” is adopted in remunerating Executive Directors to promote the long-term success of the Company. Performance is measured based on a holistic balanced scorecard approach comprising both financial and non-financial KPIs.

All Directors are paid an annual fixed fee based on his/her responsibility in Board and Board Committees and/or the special skills and expertise he/she brings to the Board. The Chairman of the Board and of the respective other committees (Audit, Risk Management, Remuneration, Nomination and Investment) is paid at a higher level than the other members to reflect the wider responsibilities required for the position. The remuneration package for Directors comprises fees, meeting allowances and hospitalisation benefits.

The breakdown of the total amount of remuneration for directors for the financial year under reivew, disclosed individually for each director, is tabled in Note 24(b) to the Audited Financial Statements for the year ended 31 December 2019.

The only Executive Director of the Company, Ms. Khoo Ai Lin, who is the Board representative of the holding company and who is not involved in the day-to-day management and operations of the Company, is not remunerated with any salary and bonus and hence, principles (a), (c) and (e) above are not applicable to her. In addition, the annual fixed fee and meeting allowances for attendances by her are paid directly to the holding company.

Corporate governance and internal controls (cont'd.)

(o) Remuneration (cont'd.)

Remuneration for Directors (cont'd.)

Quantitative disclosures

	<---- Unrestricted					---->
	Fixed remuneration			Variable remuneration		
	Cash based RM'000	Shares and share-linked RM'000	Others RM'000	Cash based RM'000	Shares and share-linked RM'000	Others RM'000
Total value of remuneration awards for the financial year - Directors						
Mohd Yusof Bin Hussian	249	-	-	-	-	-
Chee Siew Eng	185	-	-	-	-	-
Tan Ming-Li	183	-	-	-	-	-
Lim Chong Beng	199	-	-	-	-	-
Hong Kean Yong (ceased office on 2 June 2019)	78	-	-	-	-	-
Khoo Ai Lin - paid directly to Tune Protect Group Berhad	42	-	-	-	-	-
	936	-	-	-	-	-

The above table summarises remuneration paid to the Company’s Directors for the financial year 2019. During the year 2019, there is no deferred remuneration paid to the Directors.

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company or its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Company and related corporations, or the fixed salary of a full-time employee of the Company as shown in Note 24 and Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During the financial year, the holding company purchased a directors and officers liabiliy insurance cover to provide indemnity coverage for all the Directors and the officers of the Company and its related corporations for a limit of RM30,000,000 at a premium of RM99,650.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company or its related corporations during the financial year were as follows:

	Number of ordinary shares in the holding company, Tune Protect Group Berhad			
	As at 1.1.2019 '000	Acquired '000	Disposed '000	As at 31.12.2019 '000
Direct interest:				
Mohd Yusof Bin Hussian	70	-	-	70
Chee Siew Eng	10	-	-	10

	Number of options over ordinary shares in the holding company, Tune Protect Group Berhad			
	As at 1.1.2019 '000	Granted '000	Exercised '000	As at 31.12.2019 '000
Khoo Ai Lin (appointed on 9 August 2019)	500	500	-	1,000

Other than as disclosed above, the other directors in office at the end of the financial year did not have any interest in shares of the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that there was adequate provision for insurance contract liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM pursuant to Section 47(1) of the Financial Services Act, 2013;

(ii) to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(iii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company to be 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 Group and of the Company to be 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 the financial statements of the Group and 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 Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

Other statutory information (cont'd.)

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

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

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

Significant and subsequent events

There were no significant events during or subsequent events after the financial year end.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 March 2020.

Mohd Yusof Bin Hussian

Lim Chong Beng

Kuala Lumpur, Malaysia

197601004719 (30686-K)

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Mohd Yusof Bin Hussian and Lim Chong Beng, being two of the directors of Tune Insurance Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 151 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 March 2020.

Mohd Yusof Bin Hussian

Lim Chong Beng

Kuala Lumpur, Malaysia

Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, William Foo, being the officer primarily responsible for the financial management of Tune Insurance Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 151 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed William Foo at)
Kuala Lumpur in the Federal Territory)
on 15 May 2020)

William Foo

Before me,

PESURUHJAYA SUMPAH
NO. PJS: W706
TIONG SUOK HOON
No. Sijil Amalan Peguam: BC/T/1102
Tempoh Lantikan: 01-01-2019 - 31-12-2021
MALAYSIA

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197601004719 (30686-K)

Independent auditors' report to the members of Tune Insurance Malaysia Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tune Insurance Malaysia Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 151.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

197601004719 (30686-K)

Independent auditors' report to the members of
Tune Insurance Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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Independent auditors' report to the members of
Tune Insurance Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent auditors' report to the members of Tune Insurance Malaysia Berhad (cont'd.) (Incorporated in Malaysia)

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary for which we have not acted as auditors, is disclosed in Note 5(d) to the financial statements.

Other matters

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

Ernst + Young PLT

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

Brandon Bruce Sta Maria
No. 02937/09/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
12 March 2020

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property and equipment	3	3,239	4,304	3,239	4,304
Intangible assets	4	1,384	1,705	1,384	1,705
Rights-of-use assets	14	2,145	-	2,145	-
Investments	5	622,209	522,380	514,519	512,892
Reinsurance assets	6	482,563	452,340	482,563	452,340
Insurance receivables	7	96,823	125,249	96,823	125,249
Other receivables	8	54,797	64,143	54,797	64,143
Tax recoverable		28,941	28,693	28,941	28,693
Deferred tax assets	10	1,644	1,285	1,644	1,285
Cash and bank balances		8,423	3,180	7,166	2,971
Total assets		1,302,168	1,203,279	1,193,221	1,193,582
Equity					
Share capital	11	103,348	103,348	103,348	103,348
Retained earnings		202,735	178,622	202,735	178,621
Equity attributable to owners of the parent		306,083	281,970	306,083	281,969
Non-controlling interests	12	107,678	9,626	-	-
Total equity		413,761	291,596	306,083	281,969
Liabilities					
Insurance contract liabilities	13	769,558	761,263	769,558	761,263
Lease liabilities	14	2,211	-	2,211	-
Insurance payables	15	82,866	119,243	82,866	119,243
Other payables	16	33,772	31,177	32,503	31,107
Total liabilities		888,407	911,683	887,138	911,613
Total equity and liabilities		1,302,168	1,203,279	1,193,221	1,193,582

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

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Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	18(a)	396,431	468,945	396,431	468,945
Earned premiums ceded to reinsurers	18(b)	(237,921)	(288,949)	(237,921)	(288,949)
Net earned premiums	18	158,510	179,996	158,510	179,996
Investment income	19	26,940	23,715	22,602	23,071
Realised gains and losses	20	4,109	288	3,288	153
Fair value gains and losses	21	9,324	2,077	10,014	2,380
Fee and commission income		43,366	60,983	43,366	60,983
Other operating income	22	1,239	964	1,239	964
Other revenue		84,978	88,027	80,509	87,551
Gross claims paid	23(a)	(305,093)	(201,897)	(305,093)	(201,897)
Claims ceded to reinsurers	23(b)	213,860	93,150	213,860	93,150
Gross change to contract liabilities	23(c)	(14,119)	(172,901)	(14,119)	(172,901)
Change in contract liabilities ceded to reinsurers	23(d)	28,760	186,070	28,760	186,070
Net claims		(76,592)	(95,578)	(76,592)	(95,578)
Fee and commission expense		(49,660)	(62,746)	(49,660)	(62,746)
Management expenses	24	(76,510)	(86,327)	(74,924)	(85,864)
Other operating expenses	25	(424)	(31)	(424)	(31)
Finance cost	14	(181)	-	(181)	-
Other expenses		(126,775)	(149,104)	(125,189)	(148,641)
Profit before taxation		40,121	23,341	37,238	23,328
Taxation	26	(3,123)	(2,242)	(3,123)	(2,242)
Net profit for the year, representing total comprehensive income for the year		36,998	21,099	34,115	21,086
Profit attributable to:					
Owners of the parent		34,114	21,083	34,115	21,086
Non-controlling interests		2,884	16	-	-
		36,998	21,099	34,115	21,086
Earnings per share attributable to owners of the parent (sen per share)					
Basic and diluted	27	34.11	21.08		

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

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Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2019

Group	Note	<-- Attributable to the owners of the parent ---> Non Dis-tributable Share capital RM'000 (Note 11)	Dis-tributable Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000 (Note 12)	Total equity RM'000
At 1 January 2018		103,348	168,540	271,888	19	271,907
Net profit for the year, representing total comprehensive income for the year		-	21,083	21,083	16	21,099
Increase in non-controlling interests arising from reduction in interest in subsidiary	12	-	-	-	9,607	9,607
Dividends paid	28	-	(11,001)	(11,001)	(16)	(11,017)
At 31 December 2018		103,348	178,622	281,970	9,626	291,596
At 1 January 2019		103,348	178,622	281,970	9,626	291,596
Net profit for the year, representing total comprehensive income for the year		-	34,114	34,114	2,884	36,998
Increase in non-controlling interests arising from reduction in interest in subsidiary	12	-	-	-	97,325	97,325
Dividends reinvestment	12				(2,157)	(2,157)
Dividends paid	28	-	(10,001)	(10,001)	-	(10,001)
At 31 December 2019		103,348	202,735	306,083	107,678	413,761

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2019 (cont'd.)

	Note	Non Distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
		<---- Attributable to the owners of the parent ---->		
Company				
At 1 January 2018		103,348	168,536	271,884
Net profit for the year, representing total comprehensive income for the year		-	21,086	21,086
Dividends paid	28	-	(11,001)	(11,001)
At 31 December 2018		103,348	178,621	281,969
At 1 January 2019		103,348	178,621	281,969
Net profit for the year, representing total comprehensive income for the year		-	34,115	34,115
Dividends paid	28	-	(10,001)	(10,001)
At 31 December 2019		103,348	202,735	306,083

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

Statements of cash flows
For the financial year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Profit before taxation		40,121	23,341	37,238	23,328
Adjustments for:					
Depreciation of property and equipment	3	1,302	1,469	1,302	1,469
Depreciation of investment property	24	-	18	-	18
Property and equipment written off	25	11	12	11	12
Depreciation of right-of-use assets	14	1,907	-	1,907	-
Amortisation of intangible assets	4	936	880	936	880
Investment income	19	(27,353)	(24,024)	(22,623)	(23,071)
Amortisation of premiums on investments	19	413	309	21	-
Realised gains and losses	20	(4,109)	(288)	(3,288)	(153)
Fair value gains and losses	21	(9,324)	(2,077)	(10,014)	(2,380)
Finance cost	14	181	-	181	-
(Write-back of)/allowance for impairment losses of reinsurance assets	24	(145)	436	(145)	436
Allowance for impairment losses of insurance receivables	7	3,601	5,343	3,601	5,343
Allowance for impairment losses on other receivables	25	355	-	355	-
		7,896	5,419	9,482	5,882
Changes in working capital:					
Reinsurance assets		(30,078)	(183,963)	(30,078)	(183,963)
Insurance receivables		24,825	(26,163)	24,825	(26,163)
Other receivables		9,273	13,261	9,273	13,261
Insurance contract liabilities		8,295	154,737	8,295	154,737
Insurance payables		(36,377)	11,852	(36,377)	11,852
Other payables		2,595	(8,173)	1,396	(8,081)
Cash used in operating activities		(13,571)	(33,030)	(13,184)	(32,475)
Net interest received		13,772	11,290	5,140	4,380
Net dividend received	19	11,934	12,660	17,186	18,865
Rental received	19	15	31	15	31
Income tax paid		(3,730)	(5,916)	(3,730)	(5,916)
Net cash flows generated from/ (used in) operating activities		8,420	(14,965)	5,427	(15,115)

Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Investing activities					
Purchases of FVTPL financial assets		(282,554)	(282,145)	(60,471)	(178,960)
Proceeds from maturities/disposals of FVTPL financial assets		205,786	283,101	92,613	188,085
Dividend reinvestment		(11,934)	(11,901)	(15,008)	(11,901)
Movement in financial assets at amortised cost		838	11,859	838	11,859
Proceeds from disposal of property and equipment		2,955	13	2,955	13
Proceeds from disposal of investment property		-	2,532	-	2,532
Purchase of property and equipment	3	(885)	(1,001)	(885)	(1,001)
Purchase of intangible assets	4	(615)	(1,187)	(615)	(1,187)
Net cash flows (used in)/ generated from investing activities		(86,409)	1,271	19,427	9,440
Financing activities					
Cash received from non-controlling interests for units created in subsidiary		95,173	9,607	-	-
Payment of principal portion of lease liabilities	14	(2,022)	-	(2,022)	-
Cash paid to non-controlling interests on units cancelled in subsidiaries		(4)	-	-	-
Dividends paid to owners of the parent	28	(10,001)	(11,001)	(10,001)	(11,001)
Dividends paid to non-controlling interests	12	-	(16)	-	-
Net cash flows generated from/ (used in) financing activities		83,146	(1,410)	(12,023)	(11,001)
Net increase/(decrease) in cash and cash equivalents		5,157	(15,104)	12,831	(16,676)
Cash and cash equivalents at beginning of year		32,926	48,030	22,047	38,723
Cash and cash equivalents at end of year		38,083	32,926	34,878	22,047

Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents comprise:				
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions (Note 5(a))	29,660	29,746	27,712	19,076
Cash and bank balances	8,423	3,180	7,166	2,971
	38,083	32,926	34,878	22,047

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

1. Corporate information

The Company is principally engaged in the underwriting of all classes of general insurance business. The principal activities of the subsidiary is set out in Note 5(d).

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 9, Wisma Tune, No.19, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

The immediate and ultimate holding company is Tune Protect Group Berhad ("TPG"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 March 2020.

2. Significant accounting policies

2.1 Basis of preparation

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

At the beginning of the current financial year, the Group and the Company had fully adopted the new and amended MFRSs and interpretation as described fully in Note 2.4.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The Company has met the minimum capital adequacy requirements as prescribed by the Risk Based Capital Framework as at the date of the statements of financial position.

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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

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

2.2 Basis of consolidation

Consolidation of a subsidiary begins when the Group and the Company obtain control over the subsidiary and ceases when the Group and the Company lose control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of comprehensive income from the date the Group and the Company gain control until the date the Group and the Company cease to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies

(a) Property and equipment

Property and equipment includes property occupied by the Group and the Company, renovations, furniture, fittings, office equipment, computers and motor vehicles. Freehold land is not depreciated and is carried at cost. Other property and equipment are stated at cost less accumulated depreciation and any impairment losses. Residual values, useful lives and depreciation method are reviewed, and adjusted, if appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(e).

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. Subsequent costs are included in the assets' carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation of property and equipment is recognised for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	over the lease term of 99 years
Buildings	2%
Renovations	10%
Motor vehicles	20%
Furniture, fittings and office equipment	12% - 17%
Computers	25%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of a property and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in profit and loss.

2. Significant accounting policies (cont'd.)

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

(b) Intangible assets

Intangible assets of the Group and the Company consist of computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortised on a straight-line basis over the economic useful lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least once annually at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their estimated useful lives of four years.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

(c) Subsidiary

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. **Significant accounting policies (cont'd.)**

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

(c) Subsidiary (cont'd.)

In the Company's separate financial statements, investment in subsidiary is carried at fair value, being the net asset value of the collective investment scheme. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in profit or loss.

(d) Leases

Prior to 1 January 2019

The Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Beginning 1 January 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, between 2 to 5 years for office premises.

2. Significant accounting policies (cont'd.)

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

(d) Leases (cont'd.)

Beginning 1 January 2019 (cont'd.)

The Company as lessee (cont'd.)

(i) Right-of-use assets (cont'd.)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment of non-financial assets, as described in Note 2.3(e).

(ii) Lease liabilities

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

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

2. Significant accounting policies (cont'd.)

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

(d) Leases (cont'd.)

Beginning 1 January 2019 (cont'd.)

The Company as lessee (cont'd.)

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

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

(e) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

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

2. Significant accounting policies (cont'd.)

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

(e) Impairment of non-financial assets (cont'd.)

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

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

(f) Investments and financial assets

<u>Initial recognition and measurement</u>

Financial instruments are classified, at initial recognition, as financial assets at fair value through profit or loss ("FVTPL") and at amortised cost. Financial instruments are initially recognised and measured at their fair value. Except for financial assets recorded at FVTPL, transaction costs are added to this amount.

The classification depends on the instrument's contractual cash flow terms and the entity's business model for managing the instruments.

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and Company commit to purchase or sell the asset.

2. Significant accounting policies (cont'd.)

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

(f) Investments and financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

(i) The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and

(ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below.

(i) Business model assessment

The Group and the Company determine its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

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

2. Significant accounting policies (cont'd.)

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

(f) Investments and financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

Debt instruments measured at amortised cost (cont'd.)

(i) Business model assessment (cont'd.)

The Group's and the Company's business model are not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolio that is based on observable factors such as:

(a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's and the Company's key management personnel;

(b) 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; and

(c) 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).

The expected frequency, value and timing of asset sales are also important aspects of the Group’s assessment.

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

2. Significant accounting policies (cont'd.)

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

(f) Investments and financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

Debt instruments measured at amortised cost (cont'd.)

(ii) SPPI test

As a second step of its classification process the Group and the Company assess 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 Group and the Company apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets measured at FVTPL

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate ("EIR") method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Expected credit losses ("ECLs") are recognised in profit or loss when the investments are impaired.

2. Significant accounting policies (cont'd.)

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

(f) Investments and financial assets (cont'd.)

Subsequent measurement (cont'd.)

Financial assets at FVTPL

Financial assets at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as investment income when the right to the payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group and the Company have transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group and the Company consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Company have neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognised only to the extent of the Group's and the Company's continuing involvement, in which case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

2. Significant accounting policies (cont'd.)

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

(g) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive.

At each financial year end, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occuring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit ratings and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For impairment assessment, financial assets are grouped on the basis of similar risk characteristics.

These are the main components to measure ECL which are Probability of Default ("PD"), Exposure at Default ("EAD") and the Loss Given Default ("LGD").

(i) PD

The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

(ii) EAD

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

(iii) LGD

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

2. Significant accounting policies (cont'd.)

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

(g) Impairment of financial assets (cont'd.)

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecast of future economic conditions are reviewed regularly.

For insurance and other receivables, the Group and the Company apply the simplified approach in accordance with MFRS 9 *Financial Instruments*. MFRS 9 includes the requirement or policy choice to apply the simplified approach that does not require the Group and the Company to track changes in credit risk and a practical expedient to calculate ECLs using a provision matrix with the usage of forward looking information.

The carrying amount of a financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

<u>Write-off</u>

The gross carrying amount of a financial asset is written off when the Group and Company have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

(h) Financial liabilities

<u>Initial recognition and measurement</u>

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

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

2. Significant accounting policies (cont'd.)

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

(h) Financial liabilities (cont'd.)

Initial recognition and measurement (cont'd.)

All financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

All financial liabilities of the Group and the Company, comprising insurance payables and other payables except for those covered under MFRS 4 *Insurance Contracts* ("MFRS 4"), are classified as other financial liabilities.

Subsequent measurement

Insurance payables and other payables are subsequently measured at amortised cost using the effective interest rate method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

(i) Fair value measurement

The Group and the Company measure certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

2. Significant accounting policies (cont'd.)

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

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

2. Significant accounting policies (cont'd.)

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

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

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

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

The fair values of floating rate over-night deposits with financial institutions are their carrying values. The carrying value is the cost of the deposit/placements.

The fair values of Malaysian Government Securities, Cagamas Papers and unquoted corporate bonds are determined by reference to prices obtained from Bond Pricing Agency Malaysia.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(j) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issuance of these shares are recognised in equity, net of tax.

Dividends on ordinary shares

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are approved by the directors.

2. Significant accounting policies (cont'd.)

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

(j) Equity instruments (cont'd.)

Dividends on ordinary shares (cont'd.)

Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

(k) Product classification

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risks by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

Investment contracts are those contracts that do not transfer significant insurance risk. The Company currently only issues contracts that transfer insurance risk.

(l) Reinsurance

The Group and the Company assume reinsurance risk in the normal course of business for non-life insurance contracts when applicable.

2. Significant accounting policies (cont'd.)

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

(l) Reinsurance (cont'd.)

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

The Company also cedes insurance risk in the normal course of business for all of its business. Reinsurance assets represent balances due from reinsurance companies in relation to unsettled insurance contract liabilities as at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision associated with the reinsurer’s policies and are in accordance with the related reinsurance contracts.

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(m) General insurance underwriting results

The general insurance underwriting results are determined after taking into account premiums, movement in premium liabilities and claim liabilities and commissions.

(i) Gross premiums

Gross premiums are recognised as income in a financial period in respect of risks assumed during that particular financial period.

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

In respect of inward treaty reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants, given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such, to reinsurers under the terms of the proportional treaties.

(ii) Premium liabilities

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

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the unexpired risk reserves ("URR") at the end of the financial period and a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at a 75% confidence level at the overall Company level.

2. Significant accounting policies (cont'd.)

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

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

(ii) Premium liabilities (cont'd.)

(a) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

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

(b) Unearned premium reserves

UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

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

- 25% method for marine, aviation cargo and transit business.

- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of 3 or more	10%

2. Significant accounting policies (cont'd.)

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

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

(ii) Premium liabilities (cont'd.)

(b) Unearned premium reserves (cont'd.)

Workmen's compensation and employers' liability	
- Foreign workers	10%
- Other workers	25%
- Employers' Liability	25%
- Other classes	25%

- Non-annual policies are time apportioned over the period of the risks.

(iii) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. The value is the best estimate value of claim liabilities which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), incurred but not reported ("IBNR") claims and direct and indirect claim-related expenses as well as a PRAD calculated at a 75% confidence level at the overall Company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development patterns.

(iv) Liability adequacy test

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

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

2. Significant accounting policies (cont'd.)

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

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

(v) Acquisition costs

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

(vi) Valuation of general insurance contract liabilities (Note 13)

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

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

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, as well as by significant business lines and claims type.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures), in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

2. Significant accounting policies (cont'd.)

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

(n) Insurance receivables

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

The Group and the Company recognise an allowance for ECL for insurance receivables and recognise that impairment loss in profit or loss. The policy for the recognition and measurement of impairment losses for insurance receivables is in accordance with Note 2.3(g).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3(f), have been met.

(o) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are derecognised when the obligation under the liabilities is settled, cancelled or expired.

(p) Other revenue recognition

Other revenue is recognised when control of the goods or the services or performance obligations are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised using the effective interest rate method.

2. Significant accounting policies (cont'd.)

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

(p) Other revenue recognition (cont'd.)

Dividend income

Dividend income represents gross dividends and is recognised on a declared basis when the Group's and/or the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original, revalued or amortised cost and are recorded on occurrence of the sale transaction.

Commission income

Commission income derived from reinsurers in the course of cession of premiums to reinsurers is charged to profit or loss in the period in which they are incurred.

Management fees income

Management fees income from fellow subsidiaries are recognised when services are rendered, based on cost plus a percentage mark-up on an accrual basis.

(q) Income tax

Income tax expense for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

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

2. Significant accounting policies (cont'd.)

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

(q) Income tax (cont'd.)

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

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

(r) Provisions

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

(s) Employee benefits

Short-term benefits

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

2. Significant accounting policies (cont'd.)

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

(s) Employee benefits (cont'd.)

Defined contribution plans

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

The Company has an enhanced EPF scheme in place where the Company contributes additional EPF contributions between 1% to 5%, based on the years of service. The contribution is charged to profit and loss as incurred.

Staff retirement benefits

Provision for retirement benefits is made for all eligible staff in the Company from the date of employment under an unfunded defined contribution plan. The gratuity is calculated based on the last drawn monthly salary of an employee multiplied by years of service up to a maximum of 15 years.

Share-based Compensation

Employees' share option scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the directors and employees of the Company to acquire shares of the holding company, Tune Protect Group Berhad. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to Tune Protect Group Berhad over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

2. Significant accounting policies (cont'd.)

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

(s) Employee benefits (cont'd.)

Share-based Compensation (cont'd.)

Employees' share option scheme ("ESOS") (cont'd.)

At each reporting date, estimates of the number of options that are expected to become exercisable on vesting date are revised. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to the amount payable to the holding company over the remaining vesting period.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs of a restructuring. Benefits are discounted if the Company expects to fully settle these amounts more than 12 months after the end of the reporting period.

(t) Foreign currencies

(i) Functional and presentation currency

The financial statements of the Group and the Company are recorded using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company’s functional currency.

(ii) Foreign currency transactions

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

2. Significant accounting policies (cont'd.)

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

(t) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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

(u) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and deposits held at call with financial institutions with original maturities of three months or less.

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except with respect to the following Standards, Amendments to Standards and Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2019 and which were adopted by the Group and the Company on 1 January 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long-term Interests In Associates and Joint Ventures*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Annual improvements to MFRS Standards 2015-2017 Cycle

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

The adoption of the above pronouncements did not have any impact on the financial statements of the Group or the Company except as discussed below:

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard superseded MFRS 117 *Leases* , IC Interpretation 4 *Determining whether an Arrangement contains a Lease* , IC Interpretation 115 *Operating Lease-incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* .

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. Therefore, MFRS 16 does not have an impact for leases where the Group and the Company are the lessor.

The standard was effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company have adopted MFRS 16 for the first time as of 1 January 2019, using the modified retrospective approach, whereby comparative information is not required to be restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. In line with the practical expedient allowed under MFRS 16, the Group and the Company have elected to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. Therefore, the Group and the Company did not apply the standard to contracts that were not previously identified as containing a lease when applying MFRS 117 and IC Interpretation 4.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

MFRS 16 *Leases* (cont'd.)

The Group and the Company have lease contracts for various premises and equipment. Before the adoption of MFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Refer to Note 2.3(d) for the accounting policy prior to 1 January 2019 and for the accounting policy beginning 1 January 2019.

Upon adoption of MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating lease, except for short-term leases and leases of low-value assets which are described in Note 2.3(d)(iii).

The Group and the Company have elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases) and lease contracts for which the underlying asset is of low value (low-value assets). The Group and the Company have leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

At 1 January 2019, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group and the Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

MFRS 16 *Leases* (cont'd.)

The effect of adoption of MFRS 16 as at 1 January 2019 is as follows:

	2019 RM'000 Increase
Assets	
Right-of-use assets	3,781
Liabilities	
Lease liabilities	3,781

Right-of-use assets of RM3,781,000 and lease liabilities of RM3,781,000 were recognised and presented separately in the statements of financial position as at 1 January 2019. Accordingly, there was no impact to be adjusted against the opening retained profits at 1 January 2019.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RM'000
Operating lease commitments as at 31 December 2018	2,714
Weighted average incremental borrowing rate	5.75%
Discounted operating lease commitments as at 1 January 2019	2,517
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	1,264
Lease liabilities as at 1 January 2019	3,781

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective

The followings are Standards and Amendments to Standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend to adopt these Standards and Amendments to Standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 *Definition of Material* and Amendments to MFRS 108 *Definition of Material*	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 9 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements and* MFRS 128 *Investment in Associates and Joint Ventures*	To be announced by MASB

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements of the Group and the Company in the period of initial application except for that discussed below:

MFRS 17 *Insurance Contracts*

On 15 August 2017, MASB issued MFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2011. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

MFRS 17 *Insurance Contracts* (cont'd.)

(i) A specific adaptation for contracts with direct participation features (the variable fee approach) which is not applicable to the Group's and the Company's insurance contracts; and

(ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with the option to apply a full retrospective, modified retrospective or fair value approach on transition. Early application is permitted, as the Group and the Company have applied MFRS 9 and MFRS 15 before the date it first applies MFRS 17.

The Group and the Company have completed the assessment of the operational impacts for adopting MFRS 17 and intend to assess the financial impacts in the financial year ending 2020.

2.6 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The Group and the Company have not applied any significant judgements in preparing the financial statements.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgements, estimates and assumptions (cont'd.)

(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Uncertainty in accounting estimates for general insurance business (Note 13)

The principal uncertainty in the Group's and the Company's general insurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims, IBNR and direct and indirect claim-related expenses as well as a PRAD at 75% confidence level.

Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Group's and the Company's projections.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Group and the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

Note 34(b) provides a sensitivity analysis on the effects of changes in key assumptions on the carrying value of insurance contract liabilities as well as the consequential impacts to profit or loss and equity.

3. Property and equipment

Group and Company	Property: Leasehold land RM'000	Property: Building on Leasehold land RM'000	Renovations RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Cost						
At 31 December 2017	567	168	1,892	681	19,528	22,836
Additions	-	-	390	-	611	1,001
Disposals	-	-	-	-	(73)	(73)
Written off	-	-	-	-	(73)	(73)
At 31 December 2018	567	168	2,282	681	19,993	23,691
Additions	-	-	177	343	365	885
Disposals	(567)	(168)	-	(441)	(284)	(1,460)
Written off	-	-	(12)	-	(297)	(309)
At 31 December 2019	-	-	2,447	583	19,777	22,807

3. Property and equipment (cont'd.)

Group and Company	Property: Leasehold land RM'000	Property: Building on Leasehold land RM'000	Renovations RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Accumulated depreciation and impairment loss						
At 31 December 2017	216	63	735	329	16,697	18,040
Charge for the year	12	3	219	92	1,143	1,469
Disposals	-	-	-	-	(61)	(61)
Written off	-	-	-	-	(61)	(61)
At 31 December 2018	228	66	954	421	17,718	19,387
Charge for the year	7	2	228	49	1,016	1,302
Disposals	(235)	(68)	-	(238)	(282)	(823)
Written off	-	-	(5)	-	(293)	(298)
At 31 December 2019	-	-	1,177	232	18,159	19,568
Net carrying amount						
At 31 December 2018	339	102	1,328	260	2,275	4,304
At 31 December 2019	-	-	1,270	351	1,618	3,239

4. Intangible assets

Group and Company	2019 RM'000	2018 RM'000
Computer software		
Cost		
At 1 January	7,590	6,403
Additions	615	1,187
At 31 December	8,205	7,590
Accumulated amortisation		
At 1 January	5,885	5,005
Amortisation	936	880
At 31 December	6,821	5,885
Net carrying amount	1,384	1,705

5. Investments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Debt securities	274,845	169,518	10,350	20,093
Investment in subsidiary (Note 5(d))	-	-	158,752	150,607
Unit trust funds	312,020	316,593	312,020	316,593
Loans receivable	168	208	168	208
Fixed and call deposits with licensed financial institutions	35,176	36,061	33,229	25,391
	622,209	522,380	514,519	512,892

5. Investments (cont'd.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortised cost (Note 5(a))	35,344	36,269	33,397	25,599
FVTPL financial assets (Note 5(b))	586,865	486,111	481,122	487,293
	622,209	522,380	514,519	512,892

(a) Amortised cost

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost:				
Fixed and call deposits with licensed financial institutions	35,176	36,061	33,229	25,391
Loans receivable:				
Secured staff mortgage loans	164	205	164	205
Other unsecured staff loans	4	3	4	3
	168	208	168	208
	35,344	36,269	33,397	25,599

Included in fixed and call deposits with licensed financial institutions of the Group and the Company are short-term deposits with original maturity periods of less than 3 months amounting to RM29,660,000 (2018: RM29,746,000) and RM27,712,000 (2018: RM19,076,000) respectively, which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

The carrying values of the fixed and call deposits approximate fair values due to the relatively short-term maturities.

The carrying values of the secured staff mortgage loans and other unsecured staff loans are reasonable approximations of fair value due to the insignificant impact of discounting.

5. Investments (cont'd.)

(b) FVTPL financial assets

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At fair value:				
Investment in subsidiary (Note 5(d))	-	-	158,752	150,607
Quoted unit trust funds in Malaysia	312,020	316,593	312,020	316,593
Unquoted debt securities in Malaysia	274,845	169,518	10,350	20,093
	586,865	486,111	481,122	487,293

(c) Average effective interest rates

The average effective interest rates, at the earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, are as below:

	Group		Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Debt securities	4.81	5.16	4.64	5.17
Loans receivable	5.00	5.00	5.00	5.00
Deposits with licensed financial institutions	3.30	3.51	3.49	3.58

5. Investments (cont'd.)

(d) Investment in subsidiary - collective investment scheme

	Company 2019 RM'000	Company 2018 RM'000
At fair value:		
Quoted collective investment scheme in Malaysia:		
FVTPL financial assets	158,752	150,607

Details of investment in subsidiary - collective investment scheme are as follows:

Name	Principal activities	Registered in	% of ownership interest held by the Group 2019 %	% of ownership interest held by the Group 2018 %
Affin Hwang Income Fund I *	Investment in fixed income securities and money market placements	Malaysia	59.6	93.9

* Audited by a firm of chartered accountants other than Ernst & Young PLT.

6. Reinsurance assets

Group and Company	2019 RM'000	2018 RM'000
Claim liabilities (Note 13)	386,439	357,679
Premium liabilities (Note 13)	97,097	95,779
	483,536	453,458
Less: Impairment losses	(973)	(1,118)
	482,563	452,340

Included in impairment losses for reinsurance assets at 31 December 2019 is an amount of RM776,000 (2018: RM709,000) related to outstanding claim recoveries due from a reinsurer with whom the Company is currently in dispute, as further described in Note 7.

7. Insurance receivables

Group and Company	2019 RM'000	2018 RM'000
Due premiums including agents, brokers and co-insurers balances	75,870	95,223
Due from reinsurers and cedants	42,814	49,361
	118,684	144,584
Bad debts written off (Note 24)	(49)	(36)
	118,635	144,548
Accumulated impairment losses	(21,812)	(19,299)
	96,823	125,249

Offsetting of insurance receivables and insurance payables:

Group and Company	2019 RM'000	2018 RM'000
Gross amounts of recognised insurance receivables	120,946	193,269
Less: Gross amounts of recognised insurance payables offset in the statements of financial position	(2,311)	(48,721)
Net amounts of recognised insurance receivables, before allowance for impairment losses	118,635	144,548

7. Insurance receivables (cont'd.)

The movements in the allowance for impairment losses of insurance receivables are as follows:

Group and Company	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2018	1,000	13,386	14,386
Written off	-	(430)	(430)
Increase during the year (Note 24)	4,371	972	5,343
At 31 December 2018	5,371	13,928	19,299
At 1 January 2019	5,371	13,928	19,299
Written off	-	(1,088)	(1,088)
Increase during the year (Note 24)	2,752	849	3,601
At 31 December 2019	8,123	13,689	21,812

The carrying amounts of insurance receivables above approximate their respective fair values due to the relatively short-term maturity of these balances.

On-going litigation with a Reinsurer

The Company is the reinsured under a Reinsurance Contract for an Extended Warranty Programme ("EWP") for various models of vehicles. The Reinsurer had failed to remit their share of payment for claims paid by the Company under the EWP. Accordingly, the Company has commenced legal action to recover certain amounts owed by the Reinsurer under the Reinsurance Contract through its appointed solicitors. As at 31 December 2019, the amount owed by the Reinsurer amounted to RM12,281,000 (2018: RM9,427,000) of which RM4,036,000 (2018: RM4,016,000) has been impaired.

On 29 January 2019, a writ of summon was filed with the High Court of Malaya, Kuala Lumpur ("High Court") to recover the non-disputed balances of RM2,822,000 from the Reinsurer. On 19 February 2019, the High Court granted leave to the Company to proceed with the service of Notice of Writ to be served out of jurisdiction to the Reinsurer in Hong Kong.

The Defendant was directed by the Court to review the case files at the Plaintiff's lawyer's office and are required to revert to the Plaintiff with their findings/outcome of the review by 31 March 2020.

The matter is now fixed for case management on 31 March 2020 and trial from 4 to 6 May 2020 and 8 to 11 June 2020.

As at the date of the financial statements, there have been no further developments on this matter.

8. Other receivables

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Financial assets:				
Income due and accrued	364	646	364	646
Malaysian Institute of Insurance ("MII") bonds	-	260	-	260
Other receivables	5,252	10,389	5,252	10,389
	5,616	11,295	5,616	11,295
Non-financial assets:				
Assets held under the Malaysian Motor Insurance Pool ("MMIP" or "the Pool")*	48,761	52,360	48,761	52,360
Prepayments	420	488	420	488
	54,797	64,143	54,797	64,143

The carrying amounts of financial assets disclosed above approximate their fair values at the reporting date due to the relatively short-term maturity of these balances.

* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its proportionate share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's proportionate share of the Pool's insurance contract liabilities arising from its participation in the Pool is disclosed in Note 13.

9. Tax dispute with the Lembaga Hasil Dalam Negeri ("LHDN") - Group and Company

On 20 December 2018, the Company received Notice of Additional Assessment (Form JA) from the Lembaga Hasil Dalam Negeri ("LHDN") in respect of Years of Assessment ("YA") 2013 to 2015, wherein a sum of RM11.1 million of additional taxes and penalties was sought by the LHDN.

The Company is of the view given legal advice received that out of the RM11.1 million of additional taxes and penalties levied by the LHDN, RM10.7 million, being the disputed additional tax and penalties, is open to challenge and has hence, engaged tax solicitors to assist in challenging the said disputed additional tax and penalties imposed by the LHDN.

9. Tax dispute with the Lembaga Hasil Dalam Negeri ("LHDN") - Group and Company (cont'd.)

On 11 January 2019, the Company filed an Affidavit to the High Court of Malaya ("High Court") to apply for a judicial review against LHDN's assessments. On 23 May 2019, the High Court granted the Company's application for judical review with cost of RM5,000. The High Court ordered for the Notice of Assessment from LHDN to be amended to allow the deduction of PRAD expenses and dismissed the penalty imposed in relation to this issue. The High Court also granted a stay of proceedings against the payment of taxes on the order for additional taxes and penalties levied by LHDN until the determination of the appeal before the Special Commissioners of Income Tax.

On 11 June 2019, LHDN filed a Notice of Appeal against the decision of the High Court. The Court has fixed the Appeal for Case Management on 23 March 2020.

LHDN has also fixed a mention for the Company's appeal against LHDN's assessment before the LHDN Special Commissioner on 13 March 2020.

The Company has not recognised any liability in respect of the disputed additional tax and penalties in the financial statements for the years ended 31 December 2019 and 2018, pending futher developments of the case at the High Court.

10. Deferred tax assets

Group and Company	2019 RM'000	2018 RM'000
At 1 January	1,285	763
Recognised in:		
Profit or loss (Note 26)	359	522
At 31 December	1,644	1,285

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

Group and Company	2019 RM'000	2018 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	2,098	1,866
Deferred tax liabilities	(454)	(581)
	1,644	1,285

10. Deferred tax assets (cont'd.)

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

	<---- Liabilities ---->		<------ Assets ------>		
	Accelerated capital allowance on property and equipment RM'000	**Fair value of financial assets RM'000**	**Premium liabilities RM'000**	**Provisions RM'000**	**Total RM'000**
Group and Company					
At 1 January 2018	(480)	(239)	52	1,430	763
Recognised in Profit or loss (Note 26)	36	222	(172)	436	522
At 31 December 2018/ 1 January 2019	(444)	(17)	(120)	1,866	1,285
Recognised in Profit or loss (Note 26)	74	(67)	121	231	359
At 31 December 2019	(370)	(84)	1	2,097	1,644

11. Share capital

Group and Company	**Number of ordinary shares '000**	**Share capital (Issued and fully paid) RM'000**	**Total share capital RM'000**
At 31 December 2018/ At 31 December 2019	100,013	103,348	103,348

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

12. Non-controlling interests

Group	2019 RM'000	2018 RM'000
At beginning of year	9,626	19
Share of profit for the year	2,884	16
Increase in non-controlling interests	97,325	9,607
Dividend paid	-	(16)
Dividend reinvested	(2,157)	-
At end of year	107,678	9,626

The details of the subsidiary that has non-controlling interests are provided below.

Name of subsidiary	Country of incorporation and operation	Proportion of equity interest held by non-controlling interests Group 2019 %	2018 %
Affin Hwang Income Fund I	Malaysia	40.41	6.01

	Group 2019 RM'000	2018 RM'000
Accumulated balances of non-controlling interests:		
Affin Hwang Income Fund I	107,678	9,626
Profit allocated to non-controlling interests:		
Affin Hwang Income Fund I	2,884	16

12. Non-controlling interests (cont'd.)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before any eliminations between entities.

	Affin Hwang Income Fund I 2019 RM'000	Affin Hwang Income Fund I 2018 RM'000
Summarised statement of comprehensive income:		
Investment income	14,897	7,823
Management expenses	(1,691)	(460)
Profit before taxation	13,206	7,363
Taxation	-	-
Net profit for the year, representing total comprehensive income for the year	13,206	7,363
Attributable to non-controlling interests	2,884	16
Summarised statement of financial position as at 31 December:		
Investments	266,442	160,095
Cash and bank balances	1,257	209
Other payables	(1,269)	(70)
Total equity	266,430	160,234
Attributable to:		
Equity holders of parent	158,752	150,608
Non-controlling interests	107,678	9,626
	266,430	160,234
Summarised cash flow information for the year ended 31 December:		
Operating activities	(100,665)	(6,580)
Financing activities	92,990	8,151
Net decrease in cash and cash equivalents	(7,675)	1,571

13. Insurance contract liabilities

Group and Company	Note	2019 Gross RM'000	2019 Reinsurance RM'000 (Note 6)	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000 (Note 6)	2018 Net RM'000
Provision for claims reported by policyholders		421,965	(272,387)	149,578	371,759	(227,280)	144,479
Provision for IBNR claims and PRAD		185,847	(114,052)	71,795	221,934	(130,399)	91,535
Claim liabilities	(i)	607,812	(386,439)	221,373	593,693	(357,679)	236,014
Premium liabilities	(ii)	161,746	(97,097)	64,649	167,570	(95,779)	71,791
		769,558	(483,536)	286,022	761,263	(453,458)	307,805

(i) Claim liabilities

	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
At 1 January	593,693	(357,679)	236,014	420,792	(171,609)	249,183
Claims incurred in the current accident year	413,644	(287,711)	125,933	419,111	(269,745)	149,366
Adjustment to claims incurred in prior accident years due to changes in assumptions	(94,432)	45,091	(49,341)	(44,313)	(9,475)	(53,788)
Claims paid during the year (Note 23)	(305,093)	213,860	(91,233)	(201,897)	93,150	(108,747)
At 31 December	607,812	(386,439)	221,373	593,693	(357,679)	236,014

13. Insurance contract liabilities (cont'd.)

Group and Company (cont'd.)	2019 Gross RM'000	2019 Reinsurance RM'000 (Note 6)	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000 (Note 6)	2018 Net RM'000
(ii) Premium liabilities						
At 1 January	167,570	(95,779)	71,791	185,734	(97,885)	87,849
Premiums written during the year (Note 18)	390,607	(239,239)	151,368	450,781	(286,843)	163,938
Premiums earned during the year (Note 18)	(396,431)	237,921	(158,510)	(468,945)	288,949	(179,996)
At 31 December	161,746	(97,097)	64,649	167,570	(95,779)	71,791

As at 31 December 2019, the insurance contract liabilities above include the Company’s proportionate share of MMIP's claim and premium liabilities amounting to RM31,223,000 (2018: RM36,350,000) and RM2,324,000 (2018: RM2,801,000) respectively.

14. Leases

The Group and the Company as lessee

The Group and the Company have entered into lease agreements for rental of office premises. Leases of office premises generally have lease terms between 2 to 5 years and include extension and termination options.

The Group and the Company also have certain leases of office equipment with low value. The Group and the Company applied the 'lease of low-value assets' recognition exemptions for these leases.

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

Office premises	**2019 RM'000**
As at 1 January 2019, as previously stated	-
Initial application of MFRS 16 (Note 2.4)	3,781
As at 1 January 2019, as restated	3,781
Additions	346
Depreciation expense (Note 24)	(1,907)
Modification to lease term	(75)
As at 31 December 2019	2,145

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

Office premises	**2019 RM'000**
As at 1 January 2019, as previously stated	-
Initial application of MFRS 16 (Note 2.4)	3,781
As at 1 January 2019, as restated	3,781
Additions	346
Accretion of interest	181
Payments	(2,022)
Modification to lease term	(75)
As at 31 December 2019	2,211

14. Leases (cont'd.)

The Group and the Company as lessee (cont'd.)

The following are the amounts recognised in profit or loss:

	2019 RM'000
Depreciation expense of right-of-use assets (Note 24)	1,907
Interest expense on lease liabilities	181
Expense relating to lease of low value assets (Note 24)	265

The Group and the Company had total cash outflows for payment of lease liabilities of RM2,287,000 in 2019. The Group and the Company also have non-cash additions to right-of-use assets of RM346,000 in 2019.

15. Insurance payables

Group and Company	2019 RM'000	2018 RM'000
Due to agents, brokers, co-insurers and insureds	31,254	50,312
Due to reinsurers and cedants	51,612	68,931
	82,866	119,243
Offsetting of insurance receivables and insurance payables:		
Gross amounts of recognised insurance payables	85,177	167,964
Less: Gross amounts of recognised insurance receivables offset in the statements of financial position	(2,311)	(48,721)
Net amount of recognised insurance payables	82,866	119,243

The carrying amounts disclosed above approximate their fair values at the reporting date due to the relatively short-term maturity of these balances.

16. Other payables

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Claims payable	2,275	3,535	2,275	3,535
Reinsurance deposits	2,448	2,334	2,448	2,334
Retirement benefits	392	573	392	573
Others	24,181	21,518	24,181	21,518
	29,296	27,960	29,296	27,960
Non-financial liabilities:				
ESOS provision	2,647	3,022	2,647	3,022
Accrued expenses	1,829	195	560	125
	33,772	31,177	32,503	31,107

The carrying amounts of financial liabilities disclosed above approximate their fair values at the reporting date due to the relatively short-term maturity of these balances.

17. Operating revenue

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums (Note 18)	396,431	468,945	396,431	468,945
Investment income (Note 19)	26,940	23,715	22,602	23,071
	423,371	492,660	419,033	492,016

18. Net earned premiums

	2019	2018
Group and Company	RM'000	RM'000
(a) Gross earned premiums (Note 13)		
Gross written premiums (Note 13)	390,607	450,781
Change in premium liabilities	5,824	18,164
	396,431	468,945
(b) Premiums ceded to reinsurers (Note 13)		
Gross premiums ceded to reinsurers (Note 13)	239,239	286,843
Change in premium liabilities	(1,318)	2,106
	237,921	288,949
Net earned premiums (Note 13)	158,510	179,996

19. Investment income

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Rental income from property (net of direct operating expenses: Nil (2018: RM15,000))	15	31	15	31
Interest income:				
- Amortised cost financial assets	1,007	1,458	1,007	1,458
- FVTPL financial assets	10,868	7,842	886	684
Share of investment income of MMIP	3,529	2,033	3,529	2,033
Dividend income:				
- Collective investment schemes	-	-	5,252	6,205
- Unit trust funds	11,934	12,660	11,934	12,660
	27,353	24,024	22,623	23,071
Net amortisation of premiums on investments	(413)	(309)	(21)	-
	26,940	23,715	22,602	23,071

20. Realised gains and losses

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Investment property:				
Realised gains on disposal of investment property	-	161	-	161
Property and equipment:				
Realised gains on disposal of property and equipment	2,318	1	2,318	1
	2,318	162	2,318	162
FVTPL financial assets:				
Realised gains:				
Collective investment schemes	970	12	970	12
Unquoted debt securities in Malaysia	821	135	-	-
Realised losses on collective investment schemes	-	(21)	-	(21)
Total realised gains/(losses) for FVTPL financial assets	1,791	126	970	(9)
Total realised gains	4,109	288	3,288	153

21. Fair value gains and losses

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FVTPL financial assets:				
Unrealised gains:				
Unquoted debt securities in Malaysia	4,660	902	279	63
Quoted unit trust funds in Malaysia	4,664	1,175	4,664	1,175
Collective investment schemes	-	-	5,071	1,142
Total unrealised gains for FVTPL financial assets	9,324	2,077	10,014	2,380

22. Other operating income

Group and Company	2019 RM'000	2018 RM'000
Commission from MMIP	31	68
Sundry income	945	725
Management fee income	263	111
Bad debts recovery	-	60
	1,239	964

23. Net claims

Group and Company	2019 RM'000	2018 RM'000
(a) Gross claims paid (Note 13)	(305,093)	(201,897)
(b) Claims ceded to reinsurers (Note 13)	213,860	93,150
Net claims paid (a) (Note 13)	(91,233)	(108,747)
(c) Gross change in contract liabilities	(14,119)	(172,901)
(d) Change in contract liabilities ceded to reinsurers	28,760	186,070
Net change in contract liabilities (b)	14,641	13,169
Net claims (a) + (b)	(76,592)	(95,578)

24. Management expenses

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 24(a))	38,830	44,495	38,830	44,495
Directors' remuneration (Note 24(b))	936	996	936	996
Auditors' remuneration:				
Audit fees to auditor of the parent	319	362	319	362
Regulatory related fees	71	68	71	68
Non-audit fees	22	55	22	55
Audit fees to other audit firms	12	12	-	-
Depreciation of property and equipment (Note 3)	1,302	1,469	1,302	1,469
Depreciation of investment property	-	18	-	18
Depreciation of right-of-use assets (Note 14)	1,907	-	1,907	-
Amortisation of intangible assets (Note 4)	936	880	936	880
Allowance/(write-back) for impairment losses on:				
Insurance receivables (Note 7)	3,601	5,343	3,601	5,343
Reinsurance assets	(145)	436	(145)	436
Bad debts written off (Note 7)	49	36	49	36
Expenses relating to low-value assets (Note 14)	265	-	265	-
Rental of premises	-	2,288	-	2,288
Printing charges	3,663	5,656	3,663	5,656
Publicity expenses	7,534	6,664	7,534	6,664
Communication expenses	575	611	575	611
Computer expenses	2,779	3,506	2,779	3,506
Training expenses	2,270	2,397	2,270	2,397
Gifts and entertainment expenses	1,745	2,229	1,745	2,229
Utility and upkeep expenses	824	768	824	768
Bank charges	1,301	1,934	1,301	1,934
Other professional fees	2,508	1,136	2,508	1,136
Management fees	2,002	2,023	2,002	2,023
Other administration and general expenses	3,204	2,945	1,630	2,494
	76,510	86,327	74,924	85,864

24. Management expenses (cont'd.)

(a) Employee benefits expense

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Wages and salaries	32,483	33,754
Social security contributions	232	269
Contributions to defined contribution plan - EPF	3,921	4,358
Share-based compensation	(375)	(665)
Termination benefits	151	3,929
Other benefits	2,418	2,850
	38,830	44,495

Included in employee benefits expense is the Chief Executive Officer's ("CEO") remuneration of RM1,631,000 (2018: RM2,345,000) as detailed in Note 24(c).

The termination benefits relate to accruals and payments in respect of eligible employees under a Voluntary Separation Scheme that was executed by the Company during the 2018 financial year. This amount has been fully paid during the financial year ended 31 December 2019.

(b) Directors' remuneration

The details of directors' remuneration for the year are as follows:

	Group and Company	
	2019	**2018**
Directors of the Company	**RM'000**	**RM'000**
Executive directors:		
Fees	28	80
Allowances and other emoluments	14	34
	42	114
Non-executive directors:		
Fees	566	604
Allowances and other emoluments	328	278
	894	882
Total	936	996

24. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

Directors of the Company:	Fees RM'000	Allowances and other emoluments RM'000	Total RM'000
2019			
Executive director:			
Khoo Ai Lin - paid directly to Tune Protect Group Berhad	28	14	42
Non-executive directors:			
Mohd Yusof Bin Hussian	169	80	249
Chee Siew Eng	113	72	185
Tan Ming-Li	113	70	183
Lim Chong Beng	125	74	199
Hong Kean Yong (ceased office on 2 June 2019)	46	32	78
	566	328	894
Total	594	342	936
2018			
Executive director:			
Razman Hafidz Bin Abu Zarim - paid directly to Tune Protect Group Berhad (resigned on 31 December 2018)	80	34	114
Non-executive directors:			
Mohd Yusof Bin Hussian	153	54	207
Chee Siew Eng	113	56	169
Tan Ming-Li	113	52	165
Lim Chong Beng	113	56	169
Hong Kean Yong	112	60	172
	604	278	882
Total	684	312	996

24. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

The number of non-executive directors and executive directors of the Company whose remuneration during the financial year fell within the following bands is analysed below:

Directors of the Company:	Number of directors 2019	2018
Executive director:		
RM1 - RM50,000	1	-
Above RM100,000	-	1
Non-executive directors:		
RM50,001 - RM100,000	1	-
RM150,001 - RM200,000	3	4
RM200,001 - RM250,000	1	1

(c) CEO's remuneration

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

Group and Company	2019 RM'000	2018 RM'000
Salary	736	1,080
Retention/gratuity payments	465	800
EPF	205	244
Bonus	225	150
Allowance	-	71
Total remuneration excluding benefits-in-kind (Note 24(a))	1,631	2,345
Estimated money value of benefits-in-kind	22	25
Share options in Tune Protect Group Berhad	8	86
Total remuneration	1,661	2,456

25. Other operating expenses

Group and Company	2019 RM'000	2018 RM'000
Property and equipment written off	11	12
Allowance for impairment losses on other receivables	355	-
Realised foreign exchange losses	58	19
	424	31

26. Taxation

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax:				
Current income tax	3,517	2,059	3,517	2,059
(Over)/under provision in prior year	(35)	705	(35)	705
	3,482	2,764	3,482	2,764
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	(398)	(324)	(398)	(324)
Under/(over) provision in prior year	39	(198)	39	(198)
	(359)	(522)	(359)	(522)
	3,123	2,242	3,123	2,242

Current income and deferred tax is based on the corporate tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation	40,121	23,341	37,238	23,328
Taxation at Malaysian statutory tax rate of 24%	9,629	5,602	8,937	5,599
Non-taxable income	(7,784)	(5,085)	(7,092)	(5,082)
Expenses not deductible for tax purposes	1,088	1,218	1,088	1,218
(Over)/under provision of taxation in prior year	(35)	705	(35)	705
Effect of gains subject to RPGT	186	-	186	-
Under/(over) provision of deferred taxation in prior year	39	(198)	39	(198)
Tax expense for the year	3,123	2,242	3,123	2,242

The Group and Company have not recognised any provisions in respect of the disputed additional tax and penalties levied by the LHDN during the previous year, as further described in Note 9.

27. Earnings per share - Basic and diluted

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Profit attributable to ordinary equity holders	34,114	21,083
Number of ordinary shares in issue ('000)	100,013	100,013
Basic and diluted earnings per share (sen)	34.11	21.08

There were no dilutive potential ordinary shares as at the end of the relevant reporting dates. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

28. Dividends

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and paid:				
Dividend on ordinary shares paid by the Company:				
Final dividend of RM0.10 (2018: RM0.11) per ordinary share in respect of the financial year ended 31 December 2018 (2018: 31 December 2017)	10,001	11,001	10,001	11,001
Distribution to non-controlling interests by Affin Hwang Income Fund I	-	16	-	-
	10,001	11,017	10,001	11,001

29. Capital commitment

The commitments of the Group and of the Company as at the reporting date are as follows:

Group and Company	2019 RM'000	2018 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	42,281	25,866
Property and equipment	645	815
	42,926	26,681

30. Related party disclosures

(a) Significant related party transactions

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

(i) Ultimate holding company

The ultimate holding company is Tune Protect Group Berhad ("TPG"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

(ii) Affiliated company

The affiliated companies are AirAsia Berhad and Tune Group Sdn Bhd which have equity interests of 13.65% and 15.77% respectively in Tune Protect Group Berhad and including other corporations related to the said affiliated companies.

Related party transactions have been entered into in the normal course of business under normal trade terms. Where there are no normal trade terms, it will be on a negotiated basis.

30. Related party disclosures (cont'd.)

(a) Significant related party transactions (cont'd.)

The Group and the Company had the following significant transactions with related parties during the year:

Income/(expenses):	2019 RM'000	2018 RM'000
Transactions with related companies of AirAsia Berhad:		
AirAsia Berhad:		
Gross written premium	34,711	45,008
Fee and commission expenses	(8,671)	(11,248)
Thai AirAsia Co. Ltd		
Gross written premium	1,151	1,790
Fee and commission expenses	(288)	(448)
Indonesia AirAsia		
Gross written premium	2,053	1,757
Fee and commission expenses	(513)	(439)
PT Indonesia AirAsia		
Gross written premium	2	657
Fee and commission expenses	-	(164)
Philippines AirAsia		
Gross written premium	276	504
Fee and commission expenses	(69)	(126)
Air Asia X Berhad		
Gross written premium	7,627	11,087
Fee and commission expenses	(1,905)	(2,770)
Bex Travel Malaysia Sdn Bhd		
Gross written premium	-	7
Fee and commission expenses	-	(2)
BigPay Malaysia Sdn Bhd		
Gross written premium (net of rebate)	15	5
BigLife Sdn Bhd		
Gross written premium (net of rebate)	10	22

30. Related party disclosures (cont'd.)

(a) Significant related party transactions (cont'd.)

Income/(expenses): (cont'd.)	2019 RM'000	2018 RM'000
Transactions with related companies of Tune Group Sdn Bhd:		
Tune Talk Sdn Bhd		
Gross written premium	84	75
Fee and commission expenses	(17)	(14)
ECM Libra Financial Group Berhad		
Gross written premium	4	1
ECML Hotels Sdn Bhd		
Gross written premium (net of rebate)	66	46
Libra Invest Berhad		
Gross written premium (net of rebate)	22	23
Transactions with related companies in which a director has an interest or control:		
SP&G Insurance Brokers Sdn Bhd		
Gross written premium	4,142	3,878
Fee and commission expenses	(641)	(581)
Epsom College in Malaysia		
Gross written premium (net of rebate)	407	159
Fellow subsidiary:		
Tune Protect Re Ltd.		
Premiums ceded to reinsurers	(23,013)	(47,448)
Fee and commission income	6,898	14,267
Claims recovery	2,850	3,549
Other income	431	723
Reimbursement of expenses	(1,394)	(258)
Director's fee	12	55
Holding company:		
Tune Protect Group Berhad		
Insurance premium	40	-
Fee and commission	(7)	-
Dividend paid	(8,327)	(9,160)
Management fee expenses	(2,002)	(2,023)
Other expenses	(2,297)	(2,718)

30. Related party disclosures (cont'd.)

(b) Related party balances

Included in the statements of financial position of the Group and Company are the amounts due from/(to) related parties represented by the following:

	2019 RM'000	2018 RM'000
Insurance receivables		
Related companies:		
Air Asia Berhad	3,425	3,536
Indonesia AirAsia	376	254
Thai AirAsia Co. Ltd	124	314
PT Indonesia AirAsia	1	162
Air Asia X Berhad	1,127	1,219
Tune Talk Sdn Bhd	23	1
SP&G Insurance Brokers Sdn Bhd	591	934
Big Pay Malaysia Sdn Bhd	7	-
Epsom College in Malaysia	177	9
Fellow subsidiary:		
Tune Protect Re Ltd.	16	130
	5,867	6,559
Other payables		
Fellow subsidiary:		
Tune Protect Re Ltd.	(83)	-
Holding company:		
Tune Protect Group Berhad	(373)	(541)
	(456)	(541)
Insurance payables		
Air Asia Berhad - related company	-	(6)
Tune Protect Re Ltd. - fellow subsidiary	(3,515)	(7,588)
	(3,515)	(7,594)

The balances with related parties disclosed above are unsecured, interest free and are repayable in the short-term or in accordance with the terms of the insurance/reinsurance contracts.

30. Related party disclosures (cont'd.)

(c) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

Group and Company	2019 RM'000	2018 RM'000
Non-executive directors’ remuneration (Note 24(b))	894	882
Executive director's remuneration (Note 24(b))	42	114
CEO's remuneration (Note 24(c))	1,661	2,456
	2,597	3,452

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company. The key management personnel of the Group includes the Directors and Chief Executive Officer of the Company.

31. Regulatory capital requirements

The Company’s capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirements prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at year end, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

Company	2019 RM'000	2018 RM'000
Eligible Tier 1 capital		
Paid-up share capital	103,348	103,348
Reserves, including retained earnings	202,735	178,621
	306,083	281,969
Tier 2 capital		
Eligible reserves	-	-
Amount deducted from capital	3,668	3,758
Total capital available	302,415	278,211

32. Risk management framework

As a general insurance company, the Company is in the business of assuming and managing insurance risks while it promotes value proposition to all its stakeholders. As a dynamic general insurance company, the Company has in place a sound Enterprise Risk Management ("ERM") Programme to ensure that risks are managed effectively and efficiently across the value chain and in changing business and regulatory environments. The Company mitigates risk by focusing on managing material risks, and not totally avoiding them.

To ensure risk management is effectively practised, the Company is guided by its Risk Management Framework ("RMF") that defines and formalises the risk management strategy, risk organisation and governance structure, risk policies and procedures, risk appetites and tolerances, and the roles and responsibilities of each party in the Company. The framework is a strategic document that articulates financial and operational strategies for managing risk holistically and, policies and procedures that set out compulsory rules governing the conduct of insurance business. The document also provides crucial input on how regulators comprehend and assess the approach to managing risk.

The framework is reviewed regularly and updated annually to maintain its relevance and appropriateness.

The Company has also put in place a Capital Management Plan ("CMP") in compliance with the Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") issued by BNM. The CMP sets out the corrective actions that are required based on different level of capital threshold breach. The Company's capital management policy is also guided by the CMP, and driven by the Company's business strategies.

The Board of the Company, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a Risk Management Committee ("RMC") comprising four Independent Non-Executive Directors. The Committee is responsible for quarterly deliberation on key risks, to ensure that they are adequately managed and controlled within the Company's risk appetite and in accordance with defined risk management policies.

32. Risk management framework (cont'd.)

Overview of risk management policies

Risk appetite

The Company's risk appetite statements together with the associated metrics, articulate the levels, boundaries and nature of risk that the Board is willing to bear and accept in pursuit of achieving strategic objectives. The statements, which are approved by the Board, comprise the following components:

(a) Capital adequacy risk policy;
(b) Business growth strategies;
(c) Underwriting performance;
(d) Liquidity;
(e) Investment strategy and income;
(f) Reinsurance and intermediaries counterparty risks;
(g) Compliance with regulatory guidelines;
(h) Reputational risks;
(i) Operational risks; and
(j) Credit settlement period.

The Company's key risks are broadly categorised as:

(a) Insurance risk;
(b) Financial risk; and
(c) Operational risk.

The categorisations are in line with industry practice and BNM's RBC Framework. The key risks that the Company is exposed to, are mitigated by the following function-specific policies and controls:

A. Insurance

i. Risk

This includes the acceptance of sub-standard insurance business that may result in high incurred claims, adverse risk accumulation arising from poor spread, inadequate product pricing risk that causes low profit margins, product defects from inadequate design, inadequate reinsurance arrangements that attribute to lower profits and under-reserving of outstanding liabilities under insurance contracts.

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

A. Insurance (cont'd.)

ii. Policy

The following outlines the Company's policies to safeguard against these risks:

(a) Underwrite only classes of risks which have been approved by the Board;

(b) Accept risks within the approved classes only according to comprehensive underwriting guidelines and within limits of delegated authority;

(c) Expand into new lines only where there is adequate experience within the Company and after management has obtained appropriate Board approval;

(d) Price risks with sufficient margin to ensure ongoing viability of the business and maintaining a professional approach to this function;

(e) Retain risks according to guidelines on maximum risks to be retained;

(f) Mitigate foreign currency risks on reinsurance by ensuring all significant reinsurance arrangements are contracted in Malaysian Ringgit;

(g) Ensure compliance with current treaty arrangements in risk acceptance;

(h) Maintain a balanced portfolio to yield a reasonable level of profits;

(i) Review reserves for unearned premiums and IBNR on a regular basis; and

(j) Track claims ratio by individual classes and report to the Board Risk Management Committee on a quarterly basis.

B. Reinsurance

i. Risk

Inappropriate or insufficient reinsurance arrangement exposes the Company to residual insurance risks, legal risks, concentration risk, counterparty risk, and operational risks.

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

B. Reinsurance (cont'd.)

ii. Policy

The following outlines the Company's policies to safeguard against these risks:

(a) Support the Company's business direction, growth and underwriting strategy;

(b) Ensure required reinsurance capacity is available for risk undertaken by the Company and within approved risk appetite and retention/tolerance limit;

(c) Optimise the Company's balance sheet and strengthening sustainable earnings capabilities; and

(d) Regularly review the financial soundness of the reinsurers.

C. Claims

i. Risk

Exposure to unexpected or excessive losses, fraudulent claims and inadequate provisions for outstanding claims could affect the Company's profitability, financial position and reputation.

ii. Policy

The Company's policies to safeguard against these risks are as follows:

(a) Identify claims exposures and properly assess them, and routinely review them upon the receipt of further information and at least once a year;

(b) Maintain good claims administration and settlement processes to ensure prudent claims management and appropriate loss adjustment;

(c) Make adequate provisions for all claim liabilities; and

(d) Ensure that losses are mitigated and potential recovery action is followed up in a professional and timely fashion.

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

D. Investments

i. Risk

Investment risk is the risk of inadequate investment returns from poor investment strategies and adverse movements in the value of investments. Investment risk is derived from market risk, credit risk, investment concentration risk, liquidity risk and asset/liability mismatch risk.

ii. Policy

Returns from the investment of premium income and shareholder's funds are an important source of income to the Company and maintenance of the market value of the investments is essential for the financial stability of the Company. The absence of prudent investment strategies and an investment decision framework could result in poor investment return which would affect the Company’s profitability and competitiveness and also result in the Company not being able to meet its obligations as they fall due. It is the Company's policy to:

(a) Implement an investment strategy to ensure appropriate asset allocation, minimise concentration of investments and ensure matching of asset and liability portfolios;

(b) Ensure that investments are held in different classes within limits specified by the Investment Committee;

(c) Undertake analysis prior to investment to minimise market risk and continuously monitor the performance and risk of the investment;

(d) Manage disposal of investments to optimise the returns on realisation;

(e) Limit exposure to interest rate risk by investing in term deposits, corporate bonds and government securities on a long and short-term basis at competitive rates;

(f) Ensure liquidity by maintaining sufficient cash float at any time and regularly matching the expected duration of liabilities and investments and uncertainties arising from the timing and amount of cash flows;

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

D. Investments (cont'd.)

ii. Policy (cont'd.)

(g) Minimise credit risk and investment concentration risk by investing with institutions that have a minimum rating of "A" within specific overall limits for each institution; and

(h) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance to the Board monthly.

The Company does not use derivatives.

E. Credit Quality

i. Risk

Credit quality risk is associated with credit exposure that increases the risk profile of the Company and can adversely affect the Company's viability. The risk arises mainly from default of reinsurers, due premiums and other large exposures.

ii. Policy

Policies to limit credit risks include the following:

(a) Maintain credit control in accordance with appropriate policies and procedures which governs the extension of credit to brokers, agents and reinsurance partners and specifies guidelines for setting limits on credit;

(b) Limit exposure to single parties or groups of related entities to 30% of the Company's capital base. However, specific Board approval is required to sanction exposures including facultative reinsurance placements which exceed 30% of the Company's capital base as well as exposure from arrangements made in exception cases;

(c) Monitor compliance with established credit limits; and

(d) Collect amounts due in accordance with agreed credit terms, enforce prompt collection of overdue amounts in the case of due premiums and consider the cancellation of insurance policies at the expiry of credit terms.

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

F. Operational

i. Risk

Operational risk is the risk of direct losses resulting from inadequate or failed internal processes, people and systems throughout the Company and from external events.

ii. Policy

The policies to monitor and minimise these risks are as follows:

(a) Undertake annual risk audits to identify material operational risks to which the Company is exposed;

(b) Effect appropriate insurance cover for all identified operational risks which can be cost-effectively insured;

(c) Maintain an IT security management policy that identifies the rules and procedures that all persons accessing computer resources must adhere to in order to ensure confidentiality, integrity and availability of data resources and protects the data resources from viruses;

(d) Closely monitor external relationships;

(e) Retain records in accordance with an approved document retention policy and safeguard such documents from accidental damage or destruction;

(f) Ensure at all times that compliance with regulatory requirements and fulfilment of material obligations under the legislative framework is maintained;

(g) Maintain an ethics and personal conduct policy to conduct the affairs of the Company in a manner that would avoid any action by the Company or its officers that would bring disrepute to the Company;

(h) Implement adequate security procedures to prevent unauthorised access, damage, loss to assets and facilities and harm to employees;

(i) Ensure that division of responsibility is clear and mutually understood where any part of the Company’s business is outsourced to third parties whilst ultimate control over the outsourced operations is retained by the Company; and

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

F. Operational (cont'd.)

ii. Policy (cont'd.)

(j) Identify the types of fraud the Company is exposed to and develop and maintain effective controls to prevent them and to take appropriate and prompt action if fraud occurs.

G. Regulatory compliance and corporate governance

The Management is responsible to follow a systematic approach to the business and effectively manage the risks. The key risks that have been identified are monitored and their status communicated as appropriate throughout all levels of the organisation and also incorporated in the Company's performance management reporting.

The Internal Audit Department, which reports independently to the Board, undertakes a wide-ranging programme of work designed to keep the Board fully informed on the compliance of the business with agreed risk management policies, controls and procedures.

Regular reports are submitted to the Board with Key Performance Indicators covering the Company's performance and the key risks identified.

A Compliance function is in place to ensure regulatory compliance. The function is under the responsibility of the Head of Compliance who monitors compliance to regulatory requirements.

The Head of Compliance has the responsibility to ensure regulatory compliance is adhered to and any changes to policy and practices are communicated appropriately to all parties concerned.

H. Regulations of risk management

In accordance with these policies, a framework for management of identified risks has been developed for the effective management of risk.

Effective and efficient operation of the organisation would be ensured through:

(a) Providing a framework for an organisation that enables activities to be undertaken in a consistent and controlled manner;

(b) A management structure that clearly identifies the roles and responsibilities of the staff;

32. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

H. Regulations of risk management (cont'd.)

(c) Development of procedures to ensure that risk management strategies are implemented;

(d) Retention of a level of well-qualified staff through appropriate recruitment, training and staff development systems and procedures;

(e) Improving motivation of staff through suitable communication, review, feedback and reward systems; and

(f) Prompt and comprehensive management reporting systems to assess performance and progress of the business and the utilisation of its resources.

33. Financial instruments and insurance assets and liabilities

The following tables summarise the financial instruments and insurance assets and liabilities of the Group and of the Company other than cash and bank balances:

2019	**Amortised Cost RM'000**	**FVTPL RM'000**	**Assets under MFRS 4 RM'000**	**Total RM'000**
Group				
Assets				
Investments	35,344	586,865	-	622,209
Reinsurance assets	-	-	482,563	482,563
Insurance receivables	96,823	-	-	96,823
Other receivables (net of prepayments and assets held under MMIP)	5,616	-	-	5,616
	137,783	586,865	482,563	1,207,211

33. Financial instruments and insurance assets and liabilities (cont'd.)

2019 (cont'd.)	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Group (cont'd.)			
Liabilities			
Insurance contract liabilities	-	769,558	769,558
Lease liabilities	2,211	-	2,211
Insurance payables	82,866	-	82,866
Other payables (net of provisions and accrued expenses)	29,296	-	29,296
	114,373	769,558	883,931

2018	Amortised Cost RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Group				
Assets				
Investments	36,269	486,111	-	522,380
Reinsurance assets	-	-	452,340	452,340
Insurance receivables	125,249	-	-	125,249
Other receivables (net of prepayments and assets held under MMIP)	11,295	-	-	11,295
	172,813	486,111	452,340	1,111,264

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	761,263	761,263
Insurance payables	119,243	-	119,243
Other payables (net of provisions and accrued expenses)	27,960	-	27,960
	147,203	761,263	908,466

33. Financial instruments and insurance assets and liabilities (cont'd.)

2019	Amortised Cost RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Company				
Assets				
Investments	33,397	481,122	-	514,519
Reinsurance assets	-	-	482,563	482,563
Insurance receivables	96,823	-	-	96,823
Other receivables (net of prepayments and assets held under MMIP)	5,616	-	-	5,616
	135,836	481,122	482,563	1,099,521

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	769,558	769,558
Lease liabilities	2,211	-	2,211
Insurance payables	82,866	-	82,866
Other payables (net of provisions and accrued expenses)	29,296	-	29,296
	114,373	769,558	883,931

2018	Amortised Cost RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Company				
Assets				
Investments	25,599	487,293	-	512,892
Reinsurance assets	-	-	452,340	452,340
Insurance receivables	125,249	-	-	125,249
Other receivables (net of prepayments and assets held under MMIP)	11,295	-	-	11,295
	162,143	487,293	452,340	1,101,776

33. Financial instruments and insurance assets and liabilities (cont'd.)

2018 (cont'd.)	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Company (cont'd.)			
Liabilities			
Insurance contract liabilities	-	761,263	761,263
Insurance payables	119,243	-	119,243
Other payables (net of provisions and accrued expenses)	27,960	-	27,960
	147,203	761,263	908,466

34. Insurance risk

The Company has in place comprehensive underwriting guidelines and limits of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of risks is protected by proportional and non-proportional treaties with reputable reinsurers and brokers, and premised on the risk appetite of the Company.

(a) Concentration of risks by class of business

The table below shows the concentration of premium and claim liabilities by class of business:

Group and Company	Gross RM'000	Re-insurance RM'000	Net RM'000
Premium liabilites			
2019			
Motor	88,845	(46,113)	42,732
Fire	13,074	(8,939)	4,135
Marine, Aviation and Transit ("MAT")	31,896	(30,645)	1,251
Others	27,931	(11,400)	16,531
	161,746	(97,097)	64,649
2018			
Motor	98,667	(57,900)	40,767
Fire	12,408	(5,662)	6,746
MAT	21,037	(19,926)	1,111
Others	35,458	(12,291)	23,167
	167,570	(95,779)	71,791

34. Insurance risk (cont'd.)

(a) Concentration of risks by class of business (cont'd.)

Group and Company	Gross RM'000	Re-insurance RM'000	Net RM'000
Claim liabilities			
2019			
Motor	278,951	(120,003)	158,948
Fire	113,828	(103,176)	10,652
MAT	94,397	(87,207)	7,190
Others	120,636	(76,053)	44,583
	607,812	(386,439)	221,373
2018			
Motor	278,877	(106,722)	172,155
Fire	94,606	(80,745)	13,861
MAT	130,942	(124,001)	6,941
Others	89,268	(46,211)	43,057
	593,693	(357,679)	236,014

(b) Sensitivity analysis

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrences changes in market factors such as public attitude to claiming, economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The recommended claims and premium liability provisions did not explicitly allow for discounting and inflation adjustment. Implicit inflation has been allowed for future claims to the extent evident in past claims development. Discounting is unlikely to result in any material impact due to the short tail nature of most classes coupled with the low prevailing interest rate environment.

The Company has based its risk margin for adverse deviation for the provisions for unexpired risks and insurance claims at a 75% level of sufficiency, according to the requirement set by Bank Negara Malaysia under the Risk Based Capital ("RBC") Framework.

34. Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

Sensitivities

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

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The method used for deriving sensitivity results did not change from the previous year. Estimated impact on gross and net liabilities are in respect of the more recent accident periods where Estimated Loss Ratio ("ELR") are used in claim liabilities estimation, instead of all accident periods in previous year.

34. Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

Group and Company	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	* Impact on equity RM'000
		|-----Increase/(decrease)-----			
2019					
Loss ratio	+10%	64,472	28,259	(28,259)	(21,477)
PRAD	+10%	8,503	2,738	(2,738)	(2,081)
Provision for expenses	+10%	1,500	1,500	(1,500)	(1,140)
Loss ratio	-10%	(52,188)	(25,814)	25,814	19,618
PRAD	-10%	(8,503)	(2,738)	2,738	2,081
Provision for expenses	-10%	(1,500)	(1,500)	1,500	1,140
2018					
Loss ratio	+10%	86,304	34,679	(34,679)	(26,356)
PRAD	+10%	5,536	2,416	(2,416)	(1,836)
Provision for expenses	+10%	944	1,039	(1,039)	(790)
Loss ratio	-10%	(75,077)	(28,559)	28,559	21,704
PRAD	-10%	(5,536)	(1,936)	1,936	1,471
Provision for expenses	-10%	(944)	(944)	944	718

* Impact is net of tax of 24% (2018: 24%).

34. Insurance risk (cont'd.)

(c) Claims development table

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

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.

Group and Company

Gross general insurance contract liabilities for 2019

Accident year	**2012 & prior RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**Total RM'000**
At the end of accident year	243,986	211,969	246,130	256,297	229,818	332,338	419,111	413,643	
One year later	247,486	173,116	207,343	207,973	190,560	321,811	395,087		
Two years later	224,094	154,652	183,695	189,658	177,779	263,327			
Three years later	208,847	148,205	171,284	185,293	171,898				
Four years later	208,027	136,947	169,387	185,029					
Five years later	205,044	127,251	168,048						
Six years later	214,036	126,287							
Seven years later	210,561								
Current estimate of cumulative claims incurred	210,561	126,287	168,048	185,029	171,898	263,327	395,087	413,643	1,933,880
At the end of accident year	(76,857)	(47,381)	(54,979)	(57,884)	(58,917)	(85,432)	(66,383)	(80,157)	
One year later	(132,823)	(91,862)	(120,315)	(125,894)	(118,303)	(174,302)	(238,426)		
Two years later	(167,023)	(104,766)	(144,298)	(150,069)	(138,351)	(204,177)			
Three years later	(185,774)	(112,583)	(153,854)	(164,360)	(148,596)				
Four years later	(195,914)	(114,124)	(157,531)	(172,133)					
Five years later	(197,296)	(119,878)	(158,839)						
Six years later	(200,170)	(121,718)							
Seven years later	(202,022)								
Cumulative payments to-date	(202,022)	(121,718)	(158,839)	(172,133)	(148,596)	(204,177)	(238,426)	(80,157)	(1,326,068)
Gross general insurance contract liabilities per statements of financial position (Note 13(i))	8,539	4,569	9,209	12,896	23,302	59,150	156,661	333,486	607,812

34. Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Group and Company

Net general insurance contract liabilities for 2019:

Accident year	**2012 & prior RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**Total RM'000**
At the end of accident year	134,376	120,999	144,802	158,569	170,009	203,874	149,366	125,932	
One year later	128,136	103,629	123,661	124,410	140,195	174,840	127,794		
Two years later	114,501	96,867	107,164	110,685	131,430	157,504			
Three years later	103,145	92,564	98,948	104,517	125,293				
Four years later	102,074	83,153	96,123	102,064					
Five years later	101,632	81,213	95,527						
Six years later	101,478	80,705							
Seven years later	100,740								
Current estimate of cumulative claims incurred	100,740	80,705	95,527	102,064	125,293	157,504	127,794	125,932	915,559
At the end of accident year	(34,057)	(35,220)	(39,627)	(37,371)	(45,175)	(59,278)	(35,667)	(29,966)	
One year later	(76,815)	(64,442)	(73,221)	(72,798)	(85,912)	(107,969)	(72,361)		
Two years later	(89,842)	(72,345)	(84,040)	(84,626)	(100,545)	(122,449)			
Three years later	(94,837)	(76,604)	(89,070)	(91,522)	(107,374)				
Four years later	(97,006)	(77,591)	(90,375)	(93,764)					
Five years later	(97,729)	(78,411)	(91,030)						
Six years later	(98,464)	(78,522)							
Seven years later	(98,720)								
Cumulative payments to-date	(98,720)	(78,522)	(91,030)	(93,764)	(107,374)	(122,449)	(72,361)	(29,966)	(694,186)
Net general insurance contract liabilities per statements of financial position (Note 13(i))	2,020	2,183	4,497	8,300	17,919	35,055	55,433	95,966	221,373

34. Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Group and Company

Gross general insurance contract liabilities for 2018:

Accident year	2011 & prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	164,136	243,986	211,969	246,130	256,297	229,818	332,338	419,111	
One year later	150,123	247,486	173,116	207,343	207,973	190,560	321,811		
Two years later	139,573	224,094	154,652	183,695	189,658	177,779			
Three years later	131,463	208,847	148,205	171,284	185,293				
Four years later	129,325	208,027	136,947	169,387					
Five years later	124,932	205,044	127,251						
Six years later	134,945	203,991							
Seven years later	130,951								
Current estimate of cumulative claims incurred	130,951	203,991	127,251	169,387	185,293	177,779	321,811	419,111	1,735,574
At the end of accident year	(30,815)	(76,857)	(47,381)	(54,979)	(57,884)	(58,917)	(85,432)	(66,383)	
One year later	(75,244)	(132,823)	(91,862)	(120,315)	(125,894)	(118,303)	(174,302)		
Two years later	(109,790)	(167,023)	(104,766)	(144,298)	(150,069)	(138,351)			
Three years later	(116,683)	(185,774)	(112,583)	(153,854)	(164,360)				
Four years later	(118,521)	(195,914)	(114,124)	(157,531)					
Five years later	(119,536)	(197,296)	(119,878)						
Six years later	(120,906)	(199,666)							
Seven years later	(121,410)								
Cumulative payments to-date	(121,410)	(199,666)	(119,878)	(157,531)	(164,360)	(138,351)	(174,302)	(66,383)	(1,141,881)
Gross general insurance contract liabilities per statements of financial position (Note 13(i))	9,541	4,325	7,373	11,856	20,933	39,428	147,509	352,728	593,693

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34. Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Group and Company

Net general insurance contract liabilities for 2018:

Accident year	**2011 & prior RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**Total RM'000**
At the end of accident year	134,687	134,376	120,999	144,802	158,569	170,009	203,874	149,366	
One year later	121,263	128,136	103,629	123,661	124,410	140,195	174,840		
Two years later	108,850	114,501	96,867	107,164	110,685	131,430			
Three years later	104,165	103,145	92,564	98,948	104,517				
Four years later	103,640	102,074	83,153	96,123					
Five years later	100,454	101,632	81,213						
Six years later	102,442	98,900							
Seven years later	100,118								
Current estimate of cumulative claims incurred	100,118	98,900	81,213	96,123	104,517	131,430	174,840	149,366	936,507
At the end of accident year	(28,737)	(34,057)	(35,220)	(39,627)	(37,371)	(45,175)	(59,278)	(35,667)	
One year later	(66,529)	(76,815)	(64,442)	(73,221)	(72,798)	(85,912)	(107,969)		
Two years later	(90,298)	(89,842)	(72,345)	(84,040)	(84,626)	(100,545)			
Three years later	(93,871)	(94,837)	(76,604)	(89,070)	(91,522)				
Four years later	(95,673)	(97,006)	(77,591)	(90,375)					
Five years later	(96,541)	(97,729)	(78,411)						
Six years later	(97,540)	(98,107)							
Seven years later	(97,897)								
Cumulative payments to-date	(97,897)	(98,107)	(78,411)	(90,375)	(91,522)	(100,545)	(107,969)	(35,667)	(700,493)
Net general insurance contract liabilities per statements of financial position (Note 13(i))	2,221	793	2,802	5,748	12,995	30,885	66,871	113,699	236,014

35. Financial risks

(a) Credit risk

The Company has established counterparty and credit management policy that governs the credit selection and review process, as well as the insurance receivables collection and impairment assessment processes. These processes are regularly reviewed and monitored by the Risk Management Committee of the Company.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the statements of financial position, although in the case of insurance receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each reinsurer at any time is also dependent on the claims recoverable from such reinsurer at that point in time.

Amounts arising from ECL

The Company applies the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime ECL from initial recognition.

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are based on the following variables as described in Note 2.3(g):

- PD;
- LGD; and
- EAD.

These parameters are derived from internally developed statistical models as developed by the Company based on historical data. They are adjusted to reflect forward-looking information.

The ECL is determined by projecting PD, LGD and EAD which are multiplied together and adjusted for forward-looking information.

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

Quantitative criteria

Insurance receivables are considered to be in default when the counterparty fails to make contractual payments within 12 months when they fall due, which is derived based on the Company's historical information.

Qualitative criteria

Default occurs when the counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Company's expected loss calculations.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, LGD and EAD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases and provide the best estimate view of the economy over the next four to five years. The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact that changes in these variables have had historically on default rates and the components of LGD and EAD.

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Incorporation of forward-looking information (cont'd.)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimates of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the year ended 31 December 2019.

The following table shows the movement in gross insurance receivables and the loss allowance recognised for credit impaired receivables:

	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amount			
As at 1 January 2018	89,366	29,450	118,816
Increase	11,501	14,267	25,768
As at 1 January 2019	100,867	43,717	144,584
Decrease	(20,493)	(5,407)	(25,900)
As at 31 December 2019	80,374	38,310	118,684
Allowance for ECL			
As at 1 January 2018	4,577	9,809	14,386
(Decrease)/Increase	(460)	5,373	4,913
As at 1 January 2019	4,117	15,182	19,299
(Decrease)/Increase	(189)	2,702	2,513
As at 31 December 2019	3,928	17,884	21,812

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

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

	Days past due					
	< 30 days RM'000	**31 to 60 days RM'000**	**61 to 90 days RM'000**	**91 to 180 days RM'000**	**More than 180 days RM'000**	**Total RM'000**
31 December 2019						
ECL rate	0%	9%	3%	6%	40%	18%
Gross carrying amount of insurance receivables	32,019	9,525	9,850	19,305	47,985	118,684
Allowance for ECL	149	890	328	1,075	19,370	21,812
31 December 2018						
ECL rate	1%	4%	4%	5%	36%	13%
Gross carrying amount of insurance receivables	44,672	20,843	8,672	25,405	44,992	144,584
Allowance for ECL	374	848	334	1,349	16,394	19,299

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial and reinsurance assets recognised in the statements of financial position as shown in the table below. The reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Amortised cost:					
Fixed and call deposits with licensed financial institutions	5(a)	35,176	36,061	33,229	25,391
Loans receivable:					
Staff mortgage loans	5(a)	164	205	164	205
Other unsecured staff loans	5(a)	4	3	4	3
FVTPL financial assets:					
Debt securities	5(b)	274,845	169,518	10,350	20,093
Reinsurance assets	6	386,439	357,679	386,439	357,679
Insurance receivables	7	96,823	125,249	96,823	125,249
Other receivables (net of prepayments and assets held under MMIP)	8	5,616	11,295	5,616	11,295
Cash and bank balances		8,423	3,180	7,166	2,971
		807,490	703,190	539,791	542,886

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

The tables below and the following pages provide information regarding the credit risk exposures of the Group and the Company by classifying financial and reinsurance assets subject to credit risk according to the Group's and the Company's credit ratings of counterparties.

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Group						
2019						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	27,482	6,106	-	-	1,588	35,176
Loans receivable:						
Staff mortgage loans	-	-	-	-	164	164
Other unsecured staff loans	-	-	-	-	4	4
FVTPL financial assets:						
Debt securities	53,427	183,071	27,281	-	11,066	274,845
Reinsurance assets ^	-	1,501	78,046	-	306,892	386,439
Insurance receivables	-	4,166	24,055	26	68,576	96,823
Other receivables (net of prepayments and assets held under MMIP)	227	154	-	-	5,235	5,616
Cash and bank balances	3,402	4,728	226	-	67	8,423
	84,538	199,726	129,608	26	393,592	807,490

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Group						
2018						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	26,543	7,925	-	-	1,593	36,061
Loans receivable:						
Staff mortgage loans	-	-	-	-	205	205
Other unsecured staff loans	-	-	-	-	3	3
FVTPL financial assets:						
Debt securities	14,057	132,572	17,798	-	5,091	169,518
Reinsurance assets ^	-	229	99,374	7	258,069	357,679
Insurance receivables	-	5,054	27,361	111	92,723	125,249
Other receivables (net of prepayments and assets held under MMIP)	131	317	213	-	10,634	11,295
Cash and bank balances	2,197	788	133	-	62	3,180
	42,928	146,885	144,879	118	368,380	703,190

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Company						
2019						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	25,535	6,106	-	-	1,588	33,229
Loans receivable:						
Staff mortgage loans	-	-	-	-	164	164
Other unsecured staff loans	-	-	-	-	4	4
FVTPL financial assets:						
Debt securities	10,350	-	-	-	-	10,350
Reinsurance assets ^	-	1,501	78,046	-	306,892	386,439
Insurance receivables	-	4,166	24,055	26	68,576	96,823
Other receivables (net of prepayments and assets held under MMIP)	227	154	-	-	5,235	5,616
Cash and bank balances	3,402	3,471	226	-	67	7,166
	39,514	15,398	102,327	26	382,526	539,791

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

35. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Company						
2018						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	15,873	7,925	-	-	1,593	25,391
Loans receivable:						
Staff mortgage loans	-	-	-	-	205	205
Other unsecured staff loans	-	-	-	-	3	3
FVTPL financial assets:						
Debt securities	5,046	5,019	10,028	-	-	20,093
Reinsurance assets ^	-	229	99,374	7	258,069	357,679
Insurance receivables	-	5,054	27,361	111	92,723	125,249
Other receivables (net of prepayments and assets held under MMIP)	131	317	213	-	10,634	11,295
Cash and bank balances	2,197	579	133	-	62	2,971
	23,247	19,123	137,109	118	363,289	542,886

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

35. Financial risks (cont'd.)

(b) Liquidity risk

Liquidity risk is the risk where the Group and the Company are unable to meet its obligations in a timely manner at a reasonable cost at any time. The Group and the Company maintain a large tranche of liquid asset instruments, primarily bank deposits to ensure high liquidity.

Maturity profiles

The tables below and on the following pages summarise the maturity profile of the financial and reinsurance assets and financial and insurance contract liabilities of the Group and the Company based on the remaining undiscounted contractual obligations, including interest receivable.

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

Group	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	35,176	35,308	-	-	-	35,308
Loans receivable:						
Secured staff mortgage loans	164	-	-	164	-	164
Other unsecured staff loans	4	4	-	-	-	4
FVTPL financial assets:						
Unit trust funds	312,020	-	-	-	312,020	312,020
Debt securities	274,845	9,956	154,324	182,474	-	346,754
Reinsurance assets	386,439	216,109	161,536	8,794	-	386,439
Insurance receivables	96,823	96,823	-	-	-	96,823
Other receivables (net of prepayments and assets held under MMIP)	5,616	5,616	-	-	-	5,616
Cash and bank balances	8,423	8,423	-	-	-	8,423
	1,119,510	372,239	315,860	191,432	312,020	1,191,551

35. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Insurance contract liabilities	607,812	334,514	259,192	14,106	-	607,812
Lease liabilities	2,211	215	2,009	201	-	2,425
Insurance payables	82,866	82,866	-	-	-	82,866
Other payables (net of provisions and accrued expenses)	29,296	28,904	104	288	-	29,296
	722,185	446,499	261,305	14,595	-	722,399
2018						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	36,061	36,211	-	-	-	36,211
Loans receivable:						
Secured staff mortgage loans	205	32	-	173	-	205
Other unsecured staff loans	3	3	-	-	-	3
FVTPL financial assets:						
Unit trust funds	316,593	-	-	-	316,593	316,593
Debt securities	169,518	39,301	114,726	46,609	-	200,636
Reinsurance assets	357,679	205,861	146,232	5,586	-	357,679
Insurance receivables	125,249	125,249	-	-	-	125,249
Other receivables (net of prepayments and assets held under MMIP)	11,295	11,295	-	-	-	11,295
Cash and bank balances	3,180	3,180	-	-	-	3,180
	1,019,783	421,132	260,958	52,368	316,593	1,051,051

35. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
Insurance contract liabilities	593,693	340,551	243,075	10,067	-	593,693
Insurance payables	119,243	119,243	-	-	-	119,243
Other payables (net of provisions and accrued expenses)	27,960	27,587	-	373	-	27,960
	740,896	487,381	243,075	10,440	-	740,896

Company

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	33,229	33,361	-	-	-	33,361
Loans receivable:						
Secured staff mortgage loans	164	-	-	164	-	164
Other unsecured staff loans	4	4	-	-	-	4
FVTPL financial assets:						
Unit trust funds	312,020	-	-	-	312,020	312,020
Collective investment schemes	158,752	-	-	-	158,752	158,752
Debt securities	10,350	464	6,489	5,240	-	12,193
Reinsurance assets	386,439	216,109	161,536	8,794	-	386,439
Insurance receivables	96,823	96,823	-	-	-	96,823
Other receivables (net of prepayments and assets held under MMIP)	5,616	5,616	-	-	-	5,616
Cash and bank balances	7,166	7,166	-	-	-	7,166
	1,010,563	359,543	168,025	14,198	470,772	1,012,538

35. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Insurance contract liabilities	607,812	334,514	259,192	14,106	-	607,812
Lease liabilities	2,211	215	2,009	201	-	2,425
Insurance payables	82,866	82,866	-	-	-	82,866
Other payables (net of provisions and accrued expenses)	29,296	28,904	104	288	-	29,296
	722,185	446,499	261,305	14,595	-	722,399
2018						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	25,391	25,541	-	-	-	25,541
Loans receivable:						
Secured staff mortgage loans	205	32	-	173	-	205
Other unsecured staff loans	3	3	-	-	-	3
FVTPL financial assets:						
Unit trust funds	316,593	-	-	-	316,593	316,593
Collective investment schemes	150,607	-	-	-	150,607	150,607
Debt securities	20,093	10,819	6,876	5,129	-	22,824
Reinsurance assets	357,679	205,861	146,232	5,586	-	357,679
Insurance receivables	125,249	125,249	-	-	-	125,249
Other receivables (net of prepayments and assets held under MMIP)	11,295	11,295	-	-	-	11,295
Cash and bank balances	2,971	2,971	-	-	-	2,971
	1,010,086	381,771	153,108	10,888	467,200	1,012,967

35. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
Insurance contract liabilities	593,693	340,551	243,075	10,067	-	593,693
Insurance payables	119,243	119,243	-	-	-	119,243
Other payables (net of provisions and accrued expenses)	27,960	27,587	-	373	-	27,960
	740,896	487,381	243,075	10,440	-	740,896

(c) Market risk

Market risk arises with changes in value of unit trust funds, collective investment schemes and bond prices. This risk is mitigated through proper initial and continuous credit evaluation of bonds and review of performance of the unit trust funds and collective investment schemes respectively, purchase of highly rated bonds, and constant watch on investment portfolio for adverse changes and opportunities.

Fund managers' performance are monitored constantly, and parameters are prescribed to fund managers according to the Group's and the Company's risk appetite on investments in unit trust funds and collective investment schemes and bonds, by placing limits on categories of purchase.

35. Financial risks (cont'd.)

(c) Market risk (cont'd.)

Price risk

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the Net Asset Value ("NAV") of unit trust funds and collective investment schemes with all other variables held constant is indicated in the table below:

	Group			Company		
	|------------- Increase/(decrease) -------------|			|------------- Increase/(decrease) -------------|		
	Change in variable %	**Effect on net income for the year RM'000**	**Effect on equity RM'000**	**Change in variable %**	**Effect on net income for the year RM'000**	**Effect on equity RM'000**
2019						
Market indices:						
NAV	+10	23,714	23,714	+10	35,779	35,779
NAV	-10	(23,714)	(23,714)	-10	(35,779)	(35,779)
2018						
Market indices:						
NAV	+10	24,061	24,061	+10	35,507	35,507
NAV	-10	(24,061)	(24,061)	-10	(35,507)	(35,507)

* Impact is net of tax of 24% (2018: 24%).

Interest rate risk

The Group and Company have no borrowings, hence limiting exposure to interest risk to holdings in corporate bonds and government securities. The interest and capital value may be affected by changes in the interest yield curve. The Group and Company have an investment policy that investments are made at competitive interest rates.

35. Financial risks (cont'd.)

(c) Market risk (cont'd.)

Interest rate risk (cont'd.)

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Group			Company		
	Increase/(decrease)			Increase/(decrease)		
	Changes in basis points	* Effect on net income for the year RM'000	* Effect on equity RM'000	Changes in basis points	* Effect on net income for the year RM'000	* Effect on equity RM'000
2019						
Interest rates	+ 100 bps	(459)	(459)	+ 100 bps	(13)	(13)
Interest rates	- 100 bps	459	459	- 100 bps	13	13
2018						
Interest rates	+ 100 bps	(214)	(214)	+ 100 bps	(18)	(18)
Interest rates	- 100 bps	214	214	- 100 bps	18	18

* Impact is net of tax of 24% (2018: 24%).

(d) Operational Risk

A good internal control framework, compliance to regulatory guidelines and observance of best practices enable the Group and Company to mitigate operational risks. Internal audit plan and risk based audits coupled with periodic reviews on compliance to policies and procedures provide assurance that the Group and Company have the best processes in a controlled environment.

36. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table provides an analysis of assets measured and/or disclosed at fair value on a recurring basis in accordance with the fair value hierarchy:

		|------- Valuation techniques using --------|			
Group	**Date of valuation**	**Quoted market price (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Un-observable inputs (Level 3) RM'000**	**Total RM'000**
Assets measured at fair value					
FVTPL financial assets:					
2019					
Quoted unit trust funds in Malaysia	31 December 2019	312,020	-	-	312,020
Unquoted debt securities in Malaysia	31 December 2019	-	274,845	-	274,845
		312,020	274,845	-	586,865
2018					
Quoted unit trust funds in Malaysia	31 December 2018	316,593	-	-	316,593
Unquoted debt securities in Malaysia	31 December 2018	-	169,518	-	169,518
		316,593	169,518	-	486,111

36. Fair values hierarchy (cont'd.)

Company	Date of valuation	|------- Valuation techniques using --------| Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value:					
FVTPL financial assets:					
2019					
Quoted collective investment schemes in Malaysia	31 December 2019	158,752	-	-	158,752
Quoted unit trust funds in Malaysia	31 December 2019	312,020	-	-	312,020
Unquoted debt securities in Malaysia	31 December 2019	-	10,350	-	10,350
		470,772	10,350	-	481,122
2018					
Quoted collective investment schemes in Malaysia	31 December 2018	150,607	-	-	150,607
Quoted unit trust funds in Malaysia	31 December 2018	316,593	-	-	316,593
Unquoted debt securities in Malaysia	31 December 2018	-	20,093	-	20,093
		467,200	20,093	-	487,293

37. Updates to legal case

MyCC's Proposed Decision against PIAM and its 22 members

On 22 February 2017, the general insurance subsidiary, Tune Insurance Malaysia Berhad ("TIMB") received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed preliminary decision ("Proposed Decision") which found that TIMB and 21 other general insurance companies in Malaysia who are members of the General Insurance Association of Malaysia ("PIAM") had purportedly infringed one of the prohibitions under the Competitions Act 2010 ("CA") in Malaysia, pursuant to its investigation outcome in respect of the agreement entered into between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") concerning trade discount rates and agreed labour rates for PIAM Approved Repairer's Scheme workshops. These rates were subsequently approved and adopted by PIAM members including TIMB.

The Proposed Decision suggests a financial penalty of RM3,608,530 on the part of TIMB and a consolidated amount of RM213,454,814 on all the 22 members of PIAM. PIAM members have been given the opportunity to make their written representations with MyCC to defend their positions which had been done by TIMB on 5 April 2017 and 29 January 2018.

Subsequently, a fresh hearing was held with the new Chairman of MyCC with the last submission having been made on 18 June 2019. TIMB is now waiting for the decision on this matter.

To date, TIMB in consultation with its legal counsel, has taken all necessary and appropriate actions to defend its position that it has not infringed Section 4(2)(a) of the CA and at all times maintain that TIMB acted in accordance with the directives issued by Bank Negara Malaysia.

As at the date of the financial statements, there have been no further developments on this matter.