

**TUNE INSURANCE MALAYSIA BERHAD**  
**197601004719**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2020**

**197601004719**

**Tune Insurance Malaysia Berhad  
(Incorporated in Malaysia)**

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**Tune Insurance Malaysia Berhad**  
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**Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

**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**

	<b>Group</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
Net profit for the year	<u>32,046</u>	<u>25,787</u>

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

In the opinion of the directors, the results of 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 2019 was as follows:

	<b>RM'000</b>
Final Single-Tier dividend of RM0.17 per ordinary share amounting to RM17,002,247 in respect of the financial year ended 31 December 2019 approved on 30 July 2020 and paid on 4 August 2020.	<u>17,002</u>

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

On 18 March 2014, TPG offered 15,715,000 options to subscribe for new ordinary shares in TPG to eligible employees of TPG and its subsidiaries. The ESOS is effective for ten (10) years commencing from the date of listing of TPG's ordinary shares, at an exercise price of RM1.71 per option share. There were no option 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

Khoo Ai Lin

- Non-Independent Executive Director (retired on 30 July 2020)

Ch'ng Sok Heang

- Independent Non-Executive Director (appointed on 19 February 2021)

Mohamed Rashdi Bin Mohamed Ghazali

- Independent Non-Executive Director (appointed on 19 February 2021)

Rohit Chandrasekharan Nambiar

- Non-Independent Executive Director (appointed on 19 February 2021)

**Profiles of Directors**

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

**Mohd Yusof Bin Hussian**

**- Independent Non-Executive Director, Chairman**

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.

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**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 CapitaLand Malaysia Mall REIT Management Sdn Bhd (manager of Capitaland Malaysia Mall Trust). He is also a Director of NanoMalaysia 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.

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**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 and has been a member of the Malaysian Bar since 1994.

She is currently a partner in the legal firm, Chooi & Company + 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 her present firm in 1997, she practiced law in the firm of Allen & Gledhill, specialising in the areas of corporate and commercial litigation and as well as 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.

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**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 Sampo 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.

**Ch'ng Sok Heang**

**- Independent Non-Executive Director**

Ms Sophia Ch'ng Sok Heang was appointed to the Board on 19 February 2021 as Independent Non-Executive Director of the Company.

She has about 20 years of experience in the insurance industry, ranging from life insurance, general insurance, takaful business and insurance shared services. The companies she served included Great Eastern Life Assurance (Malaysia) Berhad, Prudential Assurance Malaysia Berhad, Zurich Insurance Malaysia Berhad and AmMetLife Insurance Berhad.

She has performed various senior roles in the insurance companies, i.e. Chief Financial Officer (CFO), Appointed Actuary (AA), Head of Strategic Planning, Head of Product Pricing and Product Management.

She was also the first woman and first Malaysian to win the ASEAN Insurance Council's Award for Young Manager in 2009. She has authored two (2) books for the Malaysian Insurance Institute in 2018. Sophia also has had the distinction of being in charge of the risk management portfolio for the 16th Commonwealth Games (1998) held in Malaysia.

Sophia holds a Bachelor of Economics and Financial Studies degree from Macquarie University. She is a Fellow of the Institute and Faculty of Actuaries (UK) and a Fellow of the Actuarial Society Malaysia. She was the President of Actuarial Society of Malaysia (2019-2021). She served in various committees of Life Insurance Association of Malaysia (Technical and Product Services Committee, Finance and Administration Committee).

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**Board of Directors (cont'd.)**

**Profiles of Directors (cont'd.)**

**Mohamed Rashdi bin Mohamed Ghazalli  
- Independent Non-Executive Director**

Encik Mohamed Rashdi bin Mohamed Ghazalli joined the Board of Tune Insurance Malaysia Berhad on 19 February 2021 as Independent Non-Executive Director.

Encik Mohamed Rashdi had a thriving career in IT and Management Consulting with Coopers & Lybrand, IBM Consulting and PricewaterhouseCoopers over a span of 20 years. During his career, Encik Mohamed Rashdi worked with Telecoms Australia as well as Coopers & Lybrand in the United Kingdom. He was a Partner of PwC Consulting (East Asia) and IBM Consulting, as well as IT and Consulting Advisor at PwC Malaysia.

As a management and technology consultant, Encik Mohamed Rashdi has personally led assignments in strategy and economics, business process improvement, information systems planning and IT project management. He has provided consultancy expertise across a range of industries such as government, telecommunications, oil & gas, transport and utilities with exposure in manufacturing and financial services.

Encik Mohamed Rashdi graduated in 1979 with a Bachelor of Science (Honours) degree in Computation from the University of Manchester Institute of Science and Technology, United Kingdom.

He sits on the Boards of Directors of Tune Protect Group Berhad, BOS Wealth Management Malaysia Berhad, and Great Eastern Takaful Berhad. He also sits on the Board of Trustees of Yayasan Siti Sapura Husin.



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**Board of Directors (cont'd.)**

**Profiles of Directors (cont'd.)**

**Rohit Chandrasekharan Nambiar  
- Non-Independent Executive Director**

Mr Rohit Chandrasekharan Nambiar was appointed as Executive Director of the Company on 19 February 2021.

He graduated from Bharathiar University, India with a Bachelor of Commerce and a Fellow Member of the Malaysian Insurance Institute (FMII). He is also an Associate in Insurance of the Indian Insurance Institute, Bangalore. He also obtained CPIE (equivalent to Post Graduate in Management) from the Indian Institute of Planning and Management, New Delhi.

Rohit is currently the Group Chief Executive Officer of Tune Protect Group Berhad, the holding company of the Company, where he was appointed on 14 October 2020. In his role as the Group Chief Executive Officer of TPG, Rohit is responsible for steering Tune Protect on its journey of digital transformation aimed at positioning the group as a preferred lifestyle insurer within South East Asia and Middle East.

His focus is on strengthening TPG's reach in the retail consumer space - driving innovation in product ideas and digital solutions, enhancing customer experience by focusing on ease and convenience, and growing the affinity, B2C and B2B2C distribution platforms by leveraging on big data and technology. All with the aim of making insurance easy and attractive for the Company's preferred customer segments.

Mr Rohit began his career as an Analyst with AXA in India. He has experience working across various departments and has held senior positions in both local and regional capacities within Malaysia, Singapore, Hong Kong and India. With his track record of success spanning 17 years in the Insurance Industry, Rohit is passionate about fintech, innovation and making insurance simple. He has won numerous awards and accolades in his illustrious career including that of Young Leader of the Year 2019 in the 23rd Asia Insurance Industry Awards 2019. In his free time, Rohit enjoys blogging about everything insurance and a spectrum of other insightful topics such as economics, politics, social issues, and sports.

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**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 as well as to assist them in the discharge of their duties. The following are the trainings attended by the Directors during the financial year ended 31 December 2020:

- BNM-FIDE FORUM Webinar: Annual Dialogue with Governor of Bank Negara Malaysia
- FIDE Forum Webinar: Covid-19 and Current Economic Reality: Implications for Financial
- FIDE Forum Webinar: Outthink the Competition: Excelling in a Post Covid-19 World
- FIDE Forum Webinar: Risk: A Fresh Look from the Board's Perspective
- JHM Consultancy: MACC Corporate Liability
- JHM Consultancy: Role/Responsibility of Non Executive Directors in Corporate Governance
- Wong & Partners: Corporate Liability under Malaysian Anti Corruption Laws

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**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 the policy document on Corporate Governance issued by Bank Negara Malaysia ("BNM") ("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"), the Corporate Governance Policy Document and other policy documents or directives issued by BNM, as well as other statutory and regulatory requirements. The Board has set up Board Committees to oversee and report on functional performances as part of its stewardship and oversight functions.

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);

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**Corporate governance and internal controls (cont'd.)**

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

- (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;
- (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;

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**Corporate governance and internal controls (cont'd.)**

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

- (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;
- (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;

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**Corporate governance and internal controls (cont'd.)**

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

- (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;
- (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 Act 2009 ("MACCA").
- (xxxiii) to approve, promote and have oversight of the Anti-Bribery and Corruption System ("ABCS"), including having the responsibility to:
  - promote within the Company a culture of integrity and zero-tolerance towards bribery and corruption;
  - receive and review information, including audit and risk reports on the operation and enforcement of the ABCS at planned intervals and to consider appropriate recommendations and actions to be taken from the relevant stakeholders and/or committees;
  - encourage the use of the whistleblowing channel as a confidential reporting channel for any suspected and/or real incidents of bribery and corruption or any inadequacies of the ABCS; and
  - ensure that there are adequate and appropriate resources for the Compliance function to function with sufficient competence and independence.

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**Corporate governance and internal controls (cont'd.)**

**(b) Audit Committee**

The roles, responsibilities and power of the Audit Committee ("AC") include the following:

- (i) To consider and recommend to the Board the appointment or reappointment of the external auditors, the audit fees and to consider any questions of resignation or dismissal 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 financial statements of the Company before the financial statements are presented to the Board for approval and to discuss problems and reservations arising from interim and final audits, and any matter the external 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 and to ensure that the senior management takes necessary corrective actions to address external audit findings and recommendations in a timely manner;
- (vi) To monitor and assess the effectiveness of the external audit, including by meeting with 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;

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**Corporate governance and internal controls (cont'd.)**

**(b) Audit Committee (cont'd.)**

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

- approve the Internal Audit Charter which defines the independence, 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;
- 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 internal 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 audit scope, procedures and frequency, as well as the 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;



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**Corporate governance and internal controls (cont'd.)**

**(b) Audit Committee (cont'd.)**

- 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;
  - ensure that internal audits are conducted on the Anti-Bribery and Corruption System ("ABCS") on an annual basis and in this regard has the responsibilities to:
    - receive and review audit reports on the ABCS and ensure 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;
    - present audit matters relating to the ABCS to the Board; and
    - consider engaging a qualified and independent third party to perform an external audit on the ABCS once every three (3) years.
- (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 as well as to review third-party opinions on the design and effectiveness of the Company'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 as well as to monitor compliance with the Board's conflicts of interest policy; and

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**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 roles, responsibilities and power of the Nomination Committee ("NC") include the following:

- (i) 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;
  - qualification and professionalism;
  - age and gender;
  - cultural background and other core competencies;
  - 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 NC should also evaluate the candidates' ability to discharge such responsibilities/functions as expected by the Board;
- (ii) establishing rigorous process for the appointment and removal of directors. The process for the appointment shall involve assessment of candidates against the minimum requirements as set out below and the requirements under the Companies Act 2016:
- 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 NC to have complied with the fit and proper requirements;
  - a director must not have competing time commitments that impair his/her ability to discharge his/her duties effectively. The NC 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;

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**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;
- (iii) 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 NC shall consider candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other Key Senior Officers or any director or shareholder;
- (iv) 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 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 consistent with all legal and regulatory requirements including, but not limited to, the MCCG and Corporate Governance Policy Document;
  - 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;

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**Corporate governance and internal controls (cont'd.)**

**(c) Nomination Committee (cont'd.)**

- (v) recommending to the Board the removal of director(s) from the Board and/or Key Senior Officers and/the Company Secretary if the director/Key Senior Officer/the Company Secretary is ineffective, errant and/or negligent in discharging his/her responsibilities;
- (vi) establishing a mechanism for the formal annual assessment on the effectiveness of the Board, Key Senior Officers and the Company Secretary as a whole and the contribution of each director to the effectiveness of the Board and the contribution of the various Board committees. The NC'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 NC in the discharge of all its functions should be properly documented;
- (vii) 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;
- (viii) 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;
- (ix) overseeing the appointment, management succession planning and performance evaluation of the Board, the Board committees, individual directors, Key Senior Officers and the Company Secretary and to report their performance and areas of improvement to the Board at the end of each fiscal year;
- (x) 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;
- (xi) determine annually whether a Director is independent as may be defined in the guidelines issued by BNM;
- (xii) authorised to seek independent professional advice, at the expense of the Company, in carrying out their duties if necessary; and
- (xiii) 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 BNM.

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**Corporate governance and internal controls (cont'd.)**

**(d) Remuneration Committee**

The roles, responsibilities and powers of the Remuneration Committee ("RC") include the following:

- (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 and of calibre needed to manage the Company successfully and to increase 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;
  - balance 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;

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**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 RC shall ensure that such remuneration packages are competitive, fair and not excessive, and in determining such packages and arrangements the RC 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 RC 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;

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**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 RC 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 roles, responsibilities and powers of the Risk Management Committee ("RMC") include the following:

- (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;

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**Corporate governance and internal controls (cont'd.)**

**(e) Risk Management Committee**

- (vii) ensuring that corruption risk assessment is conducted on an annual basis and in this regard have the responsibility to:
  - ensure that corruption risk is incorporated into the general risk register of the Company;
  - receive and review risk management reports on bribery and/or corruption and ensure that appropriate mitigating actions are put in place to manage risk exposures;
  - present corruption risk assessment matters to the Board; and
  - consider conducting a comprehensive corruption risk assessment for the Company once every three (3) years;
- (viii) ensuring that the risk management process remains transparent and independent;
- (ix) 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;
- (x) reviewing the adequacy and effectiveness of management's internal controls, risk management process and compliance functions;
- (xi) 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;
- (xii) 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;
- (xiii) 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;
- (xiv) 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
- (xv) 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.



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**Corporate governance and internal controls (cont'd.)**

**(f) Investment Committee**

The roles, responsibilities and powers of the Investment Committee ("IC") include the following:

- (i) to evaluate, assess and approve new investment proposals in line with the Mandated Asset Classes as set out in the Investment Policy of the Company;
- (ii) to review, advise and recommend to the Board for approval investment strategies and policies with a view to optimise the investment returns of the Company's available funds, in line with the Company's risk appetite;
- (iii) to review and ensure the Company's investments are monitored and that assets allocations are within the risk(s) and limit(s) permitted under the Company's Investment Policy, BNM's guidelines and Risk-Based Capital Framework;
- (iv) to review with the Internal Auditors the adequacy of the internal controls of the Company in the administration of investment transactions, the proper adherence of the Company's policies and procedures, BNM's requirements as well as any other compliances required from the legal, accounting and prudential perspectives;
- (v) to review and approve the appointment and termination of external fund managers, counterparties, financial institutions and any other financial intermediaries, and to notify the Board at its next meeting accordingly;
- (vi) To review the performance of external fund managers, counterparties, financial institutions and any other financial intermediaries;
- (vii) to set the performance targets, to ensure monitoring and to review the actual performance of the external fund managers on a regular basis;
- (viii) to submit periodic investment reports to the Board for notation; and
- (ix) to undertake any other functions as may be assigned by the Board to the IC.

**(g) Composition and meetings**

As at the end of the financial year under review, the Board comprised four (4) Independent Non-Executive Directors ("**INEDs**"). The Board appointed two (2) INEDs and one (1) Non-Independent Executive Director ("**NIED**") on 19 February 2021. As at the date of this report, the Board comprised six (6) INEDs and one (1) NIED. All appointments were 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.

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**Corporate governance and internal controls (cont'd.)**

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

The changes in the Board composition during the financial year under review were as indicated below. The Board met eight (8) times during the financial year under review, with attendance recorded as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Mohd Yusof Bin Hussian (INED)	8/8
<u>Members:</u>	
Chee Siew Eng (INED)	8/8
Tan Ming-Li (INED)	8/8
Lim Chong Beng (INED)	8/8
Khoo Ai Lin (NIED) (retired on 30 July 2020)	5/5

**(i) Risk Management Committee ("RMC")**

For the financial year under review, the RMC comprised four (4) INEDs and their attendance records were as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Chee Siew Eng (INED)	7/7
<u>Members:</u>	
Mohd Yusof Bin Hussian (INED)	7/7
Tan Ming-Li (INED)	7/7
Lim Chong Beng (INED)	7/7

The RMC met seven (7) times during the financial year.

**(ii) Audit Committee ("AC")**

The AC comprised four (4) INEDs during the financial year under review and their attendance records were as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Lim Chong Beng (INED)	6/6
<u>Members:</u>	
Chee Siew Eng (INED)	6/6
Tan Ming-Li (INED)	6/6
Mohd Yusof Bin Hussian (INED)	6/6

The AC met six (6) times during the financial year.

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**Corporate governance and internal controls (cont'd.)**

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

**(iii) Nomination Committee ("NC")**

The NC comprised four (4) INEDs throughout the financial year under review and their attendance were as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Tan Ming-Li (INED)	4/4
<u>Members:</u>	
Chee Siew Eng (INED)	4/4
Lim Chong Beng (INED)	4/4
Mohd Yusof Bin Hussian (INED)	4/4

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

**(iv) Remuneration Committee ("RC")**

The RC comprised four (4) INEDs throughout the financial year under review and their attendance were as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Tan Ming-Li (INED)	3/3
<u>Members:</u>	
Chee Siew Eng (INED)	3/3
Lim Chong Beng (INED)	3/3
Mohd Yusof Bin Hussian (INED)	3/3

The RC met three (3) times during the financial year, including one adjourned meeting.

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**Corporate governance and internal controls (cont'd.)**

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

**(v) Investment Committee ("IC")**

As at the beginning of the financial year under review, the IC members comprised two (2) INEDs and one (1) NIED. During the financial year, the NIED retired, leaving the IC with two (2) INEDs. The attendance records were as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Lim Chong Beng (INED)	4/4
<u>Members:</u>	
Mohd Yusof Bin Hussian (INED)	4/4
Khoo Ai Lin (NIED) (retired on 30 July 2020)	3/3

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.

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**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:

Organisation Structure

- 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.

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**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.

Anti-Fraud, Bribery and Corruption Policy

- The policy reinforces the Group's zero tolerance and commitment against fraud, bribery and corruption by promoting a culture of integrity within the Group. It sets out the responsibilities for development and operations of internal control and provides assurance that all irregularities or suspected irregularities involving employees, shareholders, consultants, vendors, external agencies and any other parties in a business relationship with the Group will be fully investigated.

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.

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**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.

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**Corporate governance and internal controls (cont'd.)**

**(o) Remuneration (cont'd.)**

Components of Remuneration

<b>Component</b>	<b>Purpose and application</b>
<b>Fixed Pay</b>	
Base Salary	<ul style="list-style-type: none"> <li>• 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.</li> <li>• In setting base salary, differences in individual performance and achievements, skillsets, job scope as well as competency levels are considered.</li> <li>• 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).</li> <li>• The Company sets the company-wide salary increment pool taking into consideration market movement and projected performance for the upcoming financial year.</li> <li>• Increments implemented in the year 2020 were based on individual performance. Non-performing employees received minimal or no increment.</li> <li>• 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: <ul style="list-style-type: none"> <li>- Association of Insurance Employers and National Union of Commercial Workers</li> <li>- Tune Insurance Malaysia Berhad and Persatuan Pegawai-Pegawai Pentadbiran Industri Insuran.</li> </ul> </li> </ul>
Fixed Bonus	<ul style="list-style-type: none"> <li>• Other than employees falling under the scope of the CAs, no other employees received fixed or guaranteed bonuses.</li> </ul>
Fixed Allowances	<ul style="list-style-type: none"> <li>• Role-based fixed cash allowances which are paid monthly to certain segments of our employee pool, dependant on employees' role.</li> <li>• Quantum of the allowances are reviewed and set in accordance with external market benchmarking and Company's priorities.</li> </ul>



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**Corporate governance and internal controls (cont'd.)**

**(o) Remuneration (cont'd.)**

Components of Remuneration (cont'd.)

<b>Component</b>	<b>Purpose and application</b>
<b>Variable Pay</b>	
Performance bonus	<ul style="list-style-type: none"> <li>• Performance bonus is a discretionary payment to employees to reward and recognise them for achievement of Company and individual goals.</li> <li>• Performance bonus is paid once a year, subsequent to the annual performance review.</li> <li>• 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.</li> <li>• Performance bonus quantum is 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").</li> <li>• 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.</li> <li>• 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.</li> <li>• Weighted scores fall into a structured performance matrix ranging from Outstanding Performance to Unsatisfactory Performance.</li> <li>• The Company exercises discretion to not award non-performers any performance bonuses.</li> <li>• Performance and remuneration of Control Functions are measured and assessed independently from the business units they support to avoid any conflict of interest.</li> </ul>

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**Corporate governance and internal controls (cont'd.)**

**(o) Remuneration (cont'd.)**

Components of Remuneration (cont'd.)

<b>Component</b>	<b>Purpose and application</b>
<b>Variable Pay (cont'd.)</b>	
Performance bonus (cont'd.)	<ul style="list-style-type: none"> <li>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.</li> </ul>
Sales Incentive	<ul style="list-style-type: none"> <li>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.</li> <li>Introduced to drive achievement of profitability targets in certain segments, which have been identified as critical in driving the Company's business transformation.</li> </ul>
Long Term Incentive	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

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.

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**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.

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**Corporate governance and internal controls (cont'd.)**

**(o) Remuneration (cont'd.)**

Quantitative disclosures

<b>Total value of remuneration awards for the financial year - CEO</b>	<b>Unrestricted RM'000</b>	<b>Deferred RM'000</b>
<b>Fixed remuneration</b>		
- Cash-based	720	-
- Shares and share-linked instruments	-	-
- Other	101	-
<b>Variable remuneration</b>		
- Cash-based	63	-
- Shares and share-linked instruments	-	-
- Other	9	-

<b>Total value of remuneration awards for the financial year - Senior Management Team</b>	<b>Unrestricted RM'000</b>	<b>Deferred RM'000</b>
<b>Fixed remuneration</b>		
- Cash-based	2,566	-
- Shares and share-linked instruments	-	-
- Other	224	-
<b>Variable remuneration</b>		
- Cash-based	317	-
- Shares and share-linked instruments	-	-
- Other	41	-

The above table summarises compensation paid to the Company's senior management team for the financial year 2020. During the year 2020, 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;

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**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 financial 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 fixed fees 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 review, disclosed individually for each director, is tabled in Note 24(b) to the Audited Financial Statements for the year ended 31 December 2020.

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

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**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
<b>Total value of remuneration awards for the financial year - Directors</b>						
Mohd Yusof Bin Hussian	233	-	-	-	-	-
Chee Siew Eng	167	-	-	-	-	-
Tan Ming-Li	167	-	-	-	-	-
Lim Chong Beng	199	-	-	-	-	-
Khoo Ai Lin - paid directly to Tune Protect Group Berhad (retired on 30 July 2020)	59	-	-	-	-	-
	<b>825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The above table summarises remuneration paid to the Company's Directors for the financial year 2020. During the year 2020, there is no deferred remuneration paid to the Directors.

**Tune Insurance Malaysia Berhad**  
**(Incorporated in Malaysia)**

**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 liability 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**

	<b>As at 1.1.2020 '000</b>	<b>Acquired '000</b>	<b>Disposed '000</b>	<b>As at 31.12.2020 '000</b>
<b>Direct interest:</b>				
Mohd Yusof Bin Hussian	70	30	-	100
Chee Siew Eng	10	-	-	10

**Number of options over ordinary shares in the holding  
company, Tune Protect Group Berhad**

	<b>As at 1.1.2020 '000</b>	<b>Granted '000</b>	<b>Forfeited '000</b>	<b>As at 31.12.2020 '000</b>
Khoo Ai Lin (retired on 30 July 2020)	1,000	-	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.

**Tune Insurance Malaysia Berhad**  
**(Incorporated in Malaysia)**

**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.



**Tune Insurance Malaysia Berhad**  
**(Incorporated in Malaysia)**

**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**

Details of the significant event during the financial year is disclosed in Note 38 to the financial statements. There were no subsequent event 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 11 March 2021.



Mohd Yusof Bin Hussian



Lim Chong Beng

Kuala Lumpur, Malaysia

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**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 45 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 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 11 March 2021.



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 45 to 157 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed William Foo at  
Kuala Lumpur in the Federal Territory  
on 11 March 2021.

)  
)  
)  
)



William Foo

Before me,



No. 109A, Batu 3 1/4  
Jalan Kelang Lama  
58000 Kuala Lumpur

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**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 2020 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 45 to 157.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, 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 (including the statement on corporate governance), 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.

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**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

11 March 2021

**Tune Insurance Malaysia Berhad**  
**(Incorporated in Malaysia)**

**Statements of financial position**  
**As at 31 December 2020**

		<b>Group</b>		<b>Company</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>					
Property and equipment	3	2,721	3,239	2,721	3,239
Intangible assets	4	2,209	1,384	2,209	1,384
Rights-of-use assets	14	4,441	2,145	4,441	2,145
Investments	5	614,961	622,209	520,875	514,519
Reinsurance assets	6	627,107	482,563	627,107	482,563
Insurance receivables	7	78,238	96,823	78,238	96,823
Other receivables	8	51,315	54,797	51,315	54,797
Tax recoverable		26,341	28,941	26,341	28,941
Deferred tax assets	10	1,337	1,644	1,337	1,644
Cash and bank balances		4,271	8,423	4,235	7,166
<b>Total assets</b>		<b>1,412,941</b>	<b>1,302,168</b>	<b>1,318,819</b>	<b>1,193,221</b>
<b>Equity</b>					
Share capital	11	103,348	103,348	103,348	103,348
Retained earnings		211,520	202,735	211,520	202,735
Equity attributable to owners of the parent		314,868	306,083	314,868	306,083
Non-controlling interests	12	93,295	107,678	-	-
<b>Total equity</b>		<b>408,163</b>	<b>413,761</b>	<b>314,868</b>	<b>306,083</b>
<b>Liabilities</b>					
Insurance contract liabilities	13	895,201	769,558	895,201	769,558
Lease liabilities	14	4,570	2,211	4,570	2,211
Insurance payables	15	72,089	82,866	72,089	82,866
Other payables	16	32,918	33,772	32,091	32,503
<b>Total liabilities</b>		<b>1,004,778</b>	<b>888,407</b>	<b>1,003,951</b>	<b>887,138</b>
<b>Total equity and liabilities</b>		<b>1,412,941</b>	<b>1,302,168</b>	<b>1,318,819</b>	<b>1,193,221</b>

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

**Tune Insurance Malaysia Berhad**  
(Incorporated in Malaysia)

**Statements of comprehensive income**  
**For the financial year ended 31 December 2020**

		<b>Group</b>		<b>Company</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross earned premiums	18(a)	362,376	396,431	362,376	396,431
Earned premiums ceded to reinsurers	18(b)	(231,900)	(237,921)	(231,900)	(237,921)
<b>Net earned premiums</b>	18	<u>130,476</u>	<u>158,510</u>	<u>130,476</u>	<u>158,510</u>
Investment income	19	26,730	26,940	22,362	22,602
Realised gains and losses	20	15,259	4,109	14,608	3,288
Fair value gains and losses	21	(4,101)	9,324	(6,711)	10,014
Fee and commission income		29,814	43,366	29,814	43,366
Other operating income	22	2,948	1,239	2,948	1,239
<b>Other revenue</b>		<u>70,650</u>	<u>84,978</u>	<u>63,021</u>	<u>80,509</u>
Gross claims paid	23(a)	(152,876)	(305,093)	(152,876)	(305,093)
Claims ceded to reinsurers	23(b)	92,533	213,860	92,533	213,860
Gross change to contract liabilities	23(c)	(165,450)	(14,119)	(165,450)	(14,119)
Change in contract liabilities ceded to reinsurers	23(d)	170,116	28,760	170,116	28,760
<b>Net claims</b>		<u>(55,677)</u>	<u>(76,592)</u>	<u>(55,677)</u>	<u>(76,592)</u>
Fee and commission expense		(33,178)	(49,660)	(33,178)	(49,660)
Management expenses	24	(73,868)	(76,510)	(72,498)	(74,924)
Other operating expenses	25	(49)	(424)	(49)	(424)
Finance cost	14	(236)	(181)	(236)	(181)
<b>Other expenses</b>		<u>(107,331)</u>	<u>(126,775)</u>	<u>(105,961)</u>	<u>(125,189)</u>
<b>Profit before taxation</b>		38,118	40,121	31,859	37,238
Taxation	26	(6,072)	(3,123)	(6,072)	(3,123)
<b>Net profit for the year, representing total comprehensive income for the year</b>		<u>32,046</u>	<u>36,998</u>	<u>25,787</u>	<u>34,115</u>
<b>Profit attributable to:</b>					
Owners of the parent		25,787	34,114	25,787	34,115
Non-controlling interests		6,259	2,884	-	-
		<u>32,046</u>	<u>36,998</u>	<u>25,787</u>	<u>34,115</u>
<b>Earnings per share attributable to owners of the parent (sen per share)</b>					
Basic and diluted	27	<u>25.78</u>	<u>34.11</u>		

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 2020**

<-- Attributable to the owners of the parent --->

Group	Note	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
<b>At 1 January 2019</b>		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 reinvested by non-controlling interests	12	-	-	-	(2,157)	(2,157)
Dividends paid	28	-	(10,001)	(10,001)	-	(10,001)
<b>At 31 December 2019</b>		<b>103,348</b>	<b>202,735</b>	<b>306,083</b>	<b>107,678</b>	<b>413,761</b>
<b>At 1 January 2020</b>		103,348	202,735	306,083	107,678	413,761
Net profit for the year, representing total comprehensive income for the year			25,787	25,787	6,259	32,046
Derease in non-controlling interests arising from reduction in interest in subsidiary	12	-	-	-	(16,553)	(16,553)
Dividends reinvested by non-controlling interests	12	-	-	-	(4,089)	(4,089)
Dividends paid	28	-	(17,002)	(17,002)	-	(17,002)
<b>At 31 December 2020</b>		<b>103,348</b>	<b>211,520</b>	<b>314,868</b>	<b>93,295</b>	<b>408,163</b>

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**Tune Insurance Malaysia Berhad**  
(Incorporated in Malaysia)

**Statements of changes in equity**  
**For the financial year ended 31 December 2020 (cont'd.)**

		<---- Attributable to the owners of the parent ---->		
Company	Note	Non Dis- tributable Share capital RM'000 (Note 11)	Dis- tributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2019</b>				
Net profit for the year, representing total comprehensive income for the year		103,348	178,621	281,969
Dividends paid	28	-	34,115	34,115
		-	(10,001)	(10,001)
<b>At 31 December 2019</b>				
		103,348	202,735	306,083
<b>At 1 January 2020</b>				
Net profit for the year, representing total comprehensive income for the year		103,348	202,735	306,083
Dividends paid	28	-	25,787	25,787
		-	(17,002)	(17,002)
<b>At 31 December 2020</b>				
		103,348	211,520	314,868

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

**Tune Insurance Malaysia Berhad**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the financial year ended 31 December 2020**

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation		38,118	40,121	31,859	37,238
Adjustments for:					
Depreciation of property and equipment	3	1,220	1,302	1,220	1,302
Property and equipment written off	25	2	11	2	11
Depreciation of right-of-use assets	14	1,752	1,907	1,752	1,907
Amortisation of intangible assets	4	1,278	936	1,278	936
Investment income	19	(27,252)	(27,353)	(22,362)	(22,623)
Amortisation of premiums on investments	19	522	413	-	21
Realised gains and losses	20	(15,259)	(4,109)	(14,608)	(3,288)
Fair value gains and losses	21	4,101	(9,324)	6,711	(10,014)
Bad debts written off	24	1	49	1	49
Finance cost	14	236	181	236	181
Covid-19 related rent concessions	14	(141)	-	(141)	-
Allowance for/(write-back of) impairment losses on reinsurance assets	24	2,277	(145)	2,277	(145)
Allowance for impairment losses on insurance receivables	7	6,615	3,601	6,615	3,601
Allowance for impairment losses on other receivables	25	-	355	-	355
		13,470	7,945	14,840	9,531
Changes in working capital:					
Reinsurance assets		(146,821)	(30,078)	(146,821)	(30,078)
Insurance receivables		11,969	24,776	11,969	24,776
Other receivables		3,510	9,273	3,510	9,273
Insurance contract liabilities		125,643	8,295	125,643	8,295
Insurance payables		(10,777)	(36,377)	(10,777)	(36,377)
Other payables		(854)	2,595	(412)	1,396
Cash used in operating activities		(3,860)	(13,571)	(2,048)	(13,184)
Net interest received		16,785	13,772	4,683	5,140
Net dividend received	19	10,989	11,934	17,651	17,186
Rental received	19	-	15	-	15
Income tax paid		(3,165)	(3,730)	(3,165)	(3,730)
<b>Net cash flows generated from operating activities</b>		<b>20,749</b>	<b>8,420</b>	<b>17,121</b>	<b>5,427</b>

**Tune Insurance Malaysia Berhad**  
**(Incorporated in Malaysia)**

**Statements of cash flows**

**For the financial year ended 31 December 2020 (cont'd.)**

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
<b>Investing activities</b>					
Purchases of FVTPL financial assets		(522,513)	(282,554)	(430,518)	(60,471)
Proceeds from maturities/disposals of FVTPL financial assets		552,546	205,786	450,429	92,613
Dividend reinvestment		(10,989)	(11,934)	(17,651)	(15,008)
Movement in financial assets at amortised cost		(3,633)	838	(3,633)	838
Proceeds from disposal of property and equipment		6	2,955	6	2,955
Purchase of property and equipment	3	(718)	(885)	(718)	(885)
Purchase of intangible assets	4	(2,103)	(615)	(2,103)	(615)
<b>Net cash flows generated from/ (used in) investing activities</b>		<u>12,596</u>	<u>(86,409)</u>	<u>(4,188)</u>	<u>19,427</u>
<b>Financing activities</b>					
Cash received from non-controlling interests for units created in subsidiary		2	95,173	-	-
Payment of principal portion of lease liabilities	14	(1,784)	(2,022)	(1,784)	(2,022)
Cash paid to non-controlling interests on units cancelled in subsidiaries		(20,645)	(4)	-	-
Dividends paid to owners of the parent	28	(17,002)	(10,001)	(17,002)	(10,001)
<b>Net cash flows (used in)/generated from financing activities</b>		<u>(39,429)</u>	<u>83,146</u>	<u>(18,786)</u>	<u>(12,023)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(6,084)</u>	<u>5,157</u>	<u>(5,853)</u>	<u>12,831</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>38,083</u>	<u>32,926</u>	<u>34,878</u>	<u>22,047</u>
<b>Cash and cash equivalents at end of year</b>		<u>31,999</u>	<u>38,083</u>	<u>29,025</u>	<u>34,878</u>

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**Tune Insurance Malaysia Berhad**  
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**Statements of cash flows**

**For the financial year ended 31 December 2020 (cont'd.)**

		Group		Company	
		2020	2019	2020	2019
Note		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	5(a)	27,728	29,660	24,790	27,712
Cash and bank balances		4,271	8,423	4,235	7,166
		31,999	38,083	29,025	34,878

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

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**Notes to the financial statements  
For the financial year ended 31 December 2020**

**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 11 March 2021.

**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 amended MFRSs 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.

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

**2.1 Basis of preparation (cont'd.)**

Financial assets and financial liabilities are offset and the net amount reported in the 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.

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**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.



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**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.

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**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**

The Group and the Company assess 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 for consideration.

**The Group and the Company as lessee**

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise 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 Group and the Company recognise 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 which is between 2 to 5 years for office premises.

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

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

**(d) Leases (cont'd.)**

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

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

If ownership of the leased asset transfers to the Group and 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 Group and the Company recognise 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 lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group and the Company use the incremental borrowing rate at the lease commencement date. 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.

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

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

**(d) Leases (cont'd.)**

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

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

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of computer and office equipment (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). The Company 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.

(iv) During the financial year, the Company elected to account for a Covid-19 related rent concessions that meets all of the following conditions in the same way as they would if they were not lease modifications:

1. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2. any reduction in lease payments affects only payments due on or before 30 June 2021; and
3. there is no substantive change to other terms and conditions of the lease.

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

Until 31 December 2019, the requirement under MFRS 16 stipulated that for a change in lease payments, other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, depends on whether that change meets the definition of a lease modification.

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

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

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

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

**(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.

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**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**

**Initial recognition and measurement**

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.

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**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.

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**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.



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**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.

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**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 measured 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 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.

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**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 occurring 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.

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**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.

**Write-off**

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**

**Initial recognition and measurement**

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.

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**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:

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**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

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**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.

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**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.



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

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

**(I) 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.

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**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.

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**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%

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**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.
- The UPR for the travel insurance risk assumed by the Company are computed using the 1/365th method that best reflects the actual liability at reporting date.

**(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.

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**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.

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**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 a straight line basis over the lease term in accordance with the substance of the relevant agreements.

***Interest income***

Interest income is recognised using the effective interest rate method.

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**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.

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

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

**(q) Income tax (cont'd.)**

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax is recognised as income or an expense and included in 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.



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**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.

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**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.

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**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 Amendments to Standards which are mandatory for annual financial periods beginning on or after 1 January 2020 and which were adopted by the Group and the Company on 1 January 2020:

- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 *Definition of Material* and Amendments to MFRS 108 *Definition of Material*
- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 9 and MFRS 7 *Interest Rate Benchmark Reform*

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## **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.

The Group and the Company have early adopted the Amendments to MFRS 16 Leases (Covid-19 related rent concessions) for the first time in its annual financial statements ended 31 December 2020, with the date of initial application of 1 January 2020.

In accordance with the transitional provisions provided in the Amendments to MFRS 16, the comparative information for 2019 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles under MFRS16. The accounting policies on lessee accounting for rent concessions are disclosed in Note 2.3(d). The effects of the changes are disclosed in Note 14.

### **2.5 Standards issued but not yet effective**

The following 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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment</i> — <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts)</i> — <i>Cost of Fulfilling a Contract</i>	1 January 2022

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

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

Amendments to MFRS 3 <i>Business Combinations</i>	
<i>Reference to the Conceptual Framework</i>	1 January 2022
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101	
<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 10 <i>Consolidated Financial Statements</i>	To be announced
and MFRS 128 <i>Investment in Associates and Joint Ventures</i>	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* and Amendments to MFRS 17**

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:

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

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

***MFRS 17 Insurance Contracts and Amendments to MFRS 17 (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.

Based on the Amendments to MFRS 17, the standard is effective for reporting periods beginning on or after 1 January 2023, 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 of adopting MFRS 17 and are in the midst of implementing the relevant systems solution, architecture and processes in the upcoming financial year 2021 to ensure compliance when the standard becomes effective.

**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.

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**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.

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**3. Property and equipment**

Group and Company	----- Property-----		Renovations RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
	Leasehold land RM'000	Building on Leasehold land RM'000				
<b>Cost</b>						
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
Additions	-	-	67	-	651	718
Disposals	-	-	-	-	(40)	(40)
Written off	-	-	-	-	(58)	(58)
At 31 December 2020	-	-	2,514	583	20,330	23,427



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**3. Property and equipment (cont'd.)**

Group and Company	----- Property-----		Renovations RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
	Leasehold land RM'000	Building on Leasehold land RM'000				
<b>Accumulated depreciation and impairment loss</b>						
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
Charge for the year	-	-	236	146	838	1,220
Disposals	-	-	-	-	(26)	(26)
Written off	-	-	-	-	(56)	(56)
At 31 December 2020	-	-	1,413	378	18,915	20,706
<b>Net carrying amount</b>						
At 31 December 2019	-	-	1,270	351	1,618	3,239
At 31 December 2020	-	-	1,101	205	1,415	2,721

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**4. Intangible assets**

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
<b>Computer software</b>		
<b>Cost</b>		
At 1 January	8,205	7,590
Additions	2,103	615
At 31 December	<u>10,308</u>	<u>8,205</u>
<b>Accumulated amortisation</b>		
At 1 January	6,821	5,885
Amortisation	1,278	936
At 31 December	<u>8,099</u>	<u>6,821</u>
<b>Net carrying amount</b>	<u>2,209</u>	<u>1,384</u>

**5. Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2020 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Debt securities	210,400	274,845	10,561	10,350
Investment in subsidiary (Note 5(d))	-	-	108,691	158,752
Unit trust funds	367,516	312,020	367,516	312,020
Loans receivable	157	168	157	168
Fixed and call deposits with licensed financial institutions	36,888	35,176	33,950	33,229
	<u>614,961</u>	<u>622,209</u>	<u>520,875</u>	<u>514,519</u>

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**5. Investments (cont'd.)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortised cost (Note 5(a))	37,045	35,344	34,107	33,397
FVTPL financial assets (Note 5(b))	577,916	586,865	486,768	481,122
	<u>614,961</u>	<u>622,209</u>	<u>520,875</u>	<u>514,519</u>

**(a) Amortised cost**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>				
Fixed and call deposits with licensed financial institutions	36,888	35,176	33,950	33,229
Loans receivable:				
Secured staff mortgage loans	154	164	154	164
Other unsecured staff loans	3	4	3	4
	<u>157</u>	<u>168</u>	<u>157</u>	<u>168</u>
	<u>37,045</u>	<u>35,344</u>	<u>34,107</u>	<u>33,397</u>

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 RM27,728,000 (2019: RM29,660,000) and RM24,790,000 (2019: RM27,712,000) respectively, which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

Included in deposits and placements of the Group and the Company is an amount of RM8,348,000 (2019: RM7,006,000) representing placements of deposits received from insureds as collateral for bond guarantees granted by the Company to third parties.

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.

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**5. Investments (cont'd.)**

**(b) FVTPL financial assets**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>				
Mandatorily measured:				
Investment in subsidiary (Note 5(d))	-	-	108,691	158,752
Quoted unit trust funds in Malaysia	367,516	312,020	367,516	312,020
Unquoted debt securities in Malaysia	210,400	274,845	10,561	10,350
	<u>577,916</u>	<u>586,865</u>	<u>486,768</u>	<u>481,122</u>

**(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:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Debt securities	4.68	4.81	4.64	4.64
Loans receivable	5.00	5.00	5.00	5.00
Deposits with licensed financial institutions	1.91	3.30	1.96	3.49

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**5. Investments (cont'd.)**

**(d) Investment in subsidiary - collective investment scheme**

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Quoted collective investment scheme in Malaysia:		
FVTPL financial assets	<u>108,691</u>	<u>158,752</u>

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

<b>Name</b>	<b>Principal activities</b>	<b>Registered in</b>	<b>% of ownership interest held by the Group</b>	
			<b>2020</b>	<b>2019</b>
			<b>%</b>	<b>%</b>
Affin Hwang Income Fund I *	Investment in fixed income securities and money market placements	Malaysia	53.8	59.6

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

**6. Reinsurance assets**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Claim liabilities (Note 13)	556,555	386,439
Premium liabilities (Note 13)	<u>73,802</u>	<u>97,097</u>
	630,357	483,536
Less: Impairment losses	<u>(3,250)</u>	<u>(973)</u>
	<u>627,107</u>	<u>482,563</u>

Included in impairment losses for reinsurance assets at 31 December 2020 is an amount of RM3,229,000 (2019: RM776,000) related to outstanding claim recoveries due from a reinsurer with whom the Company is currently in litigation with, as further described in Note 7.

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**7. Insurance receivables**

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Due premiums including agents, brokers and co-insurers balances	53,929	75,870
Due from reinsurers and cedants	47,132	42,814
	<u>101,061</u>	<u>118,684</u>
Bad debts written off (Note 24)	(1)	(49)
	<u>101,060</u>	<u>118,635</u>
Accumulated impairment losses	(22,822)	(21,812)
	<u>78,238</u>	<u>96,823</u>

Offsetting of insurance receivables and insurance payables:

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Gross amounts of recognised insurance receivables	101,171	120,946
Less: Gross amounts of recognised insurance payables offset in the statements of financial position	(111)	(2,311)
Net amounts of recognised insurance receivables, before allowance for impairment losses	<u>101,060</u>	<u>118,635</u>

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

<b>Group and Company</b>	<b>Individually impaired RM'000</b>	<b>Collecti- vely impaired RM'000</b>	<b>Total RM'000</b>
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	<u>8,123</u>	<u>13,689</u>	<u>21,812</u>

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**7. Insurance receivables (cont'd.)**

<b>Group and Company (cont'd.)</b>	<b>Individually impaired RM'000</b>	<b>Collecti- vely impaired RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	8,123	13,689	21,812
Written off	-	(5,605)	(5,605)
Increase during the year (Note 24)	7,712	(1,097)	6,615
At 31 December 2020	<u>15,835</u>	<u>6,987</u>	<u>22,822</u>

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 2020, the net amount owed by the Reinsurer amounted to RM10,477,000 (2019: RM12,281,000) of which full impairment has been provided in the current financial year (2019: RM4,036,000).

On 29 January 2019, a writ of summons 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 Court has fixed the matter for trial on 27 to 28 October 2021 and 1 to 3 November 2021. The matter is now fixed for case management on 3 May 2021.

As at the date of the financial statements, there have been no further developments on this matter, and the Company will continue to pursue recovery of the whole balance owed by the Reinsurer.

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**8. Other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets:</b>				
Income due and accrued	336	364	336	364
Other receivables	2,464	5,252	2,464	5,252
	<u>2,800</u>	<u>5,616</u>	<u>2,800</u>	<u>5,616</u>
<b>Non-financial assets:</b>				
Assets held under the Malaysian Motor Insurance Pool ("MMIP" or "the Pool")*	47,881	48,761	47,881	48,761
Prepayments	634	420	634	420
	<u>51,315</u>	<u>54,797</u>	<u>51,315</u>	<u>54,797</u>

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.



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**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 judicial 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 ("SCIT").

On 11 June 2019, LHDN filed a Notice of Appeal against the decision of the High Court. The appeal was subsequently withdrawn and a consent order was entered at the Court of Appeal on 13 November 2020 stating:

- (a) The PRAD expenses are allowed for deduction for income tax purposes;
- (b) LHDN will issue the Notices of Reduced Assessment for the YA 2013, 2014 and 2015 within 90 days of the date of the order;
- (c) The consent order applies only to this case;
- (d) The High Court order dated 23 May 2019 is affirmed; and
- (e) No order as to cost.

The Company's appeal against all other additional taxes and penalties levied by LHDN is fixed for hearing on 4 to 5 May 2021 before the SCIT.

The Company had not recognised any liability in respect of the disputed additional tax and penalties in the financial statements, pending further developments of the appeal before the SCIT, as it believes that there are strong grounds to argue its case, based on legal advice received.

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**10. Deferred tax assets**

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At 1 January	1,644	1,285
Recognised in:		
Profit or loss (Note 26)	(307)	359
At 31 December	<u>1,337</u>	<u>1,644</u>

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

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,472	2,098
Deferred tax liabilities	(135)	(454)
	<u>1,337</u>	<u>1,644</u>

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**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:

Group and Company	<----- (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
<b>At 1 January 2019</b>	(444)	(17)	(120)	1,866	1,285
Recognised in Profit or loss (Note 26)	74	(67)	121	231	359
<b>At 31 December 2019/ 1 January 2020</b>	(370)	(84)	1	2,097	1,644
Recognised in Profit or loss (Note 26)	521	(51)	7	(784)	(307)
<b>At 31 December 2020</b>	151	(135)	8	1,313	1,337

**11. Share capital**

Group and Company	Number of ordinary shares '000	Share capital (Issued and fully paid)	Total share capital
		RM'000	RM'000
At 31 December 2019/ At 31 December 2020	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.

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**12. Non-controlling interests**

<b>Group</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At beginning of year	107,678	9,626
Share of profit for the year	6,259	2,884
(Decrease)/increase in non-controlling interests	(16,553)	97,325
Dividends reinvested	(4,089)	(2,157)
At end of year	<u>93,295</u>	<u>107,678</u>

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

<b>Name of subsidiary</b>	<b>Country of incorporation and operation</b>	<b>Proportion of equity interest held by non-controlling interests Group</b>	
		<b>2020 %</b>	<b>2019 %</b>
Affin Hwang Income Fund I	Malaysia	<u>46.19</u>	<u>40.41</u>
<b>Group</b>			
		<b>2020 RM'000</b>	<b>2019 RM'000</b>
<b>Accumulated balances of non-controlling interests:</b>			
Affin Hwang Income Fund I		<u>93,295</u>	<u>107,678</u>
<b>Profit allocated to non-controlling interests:</b>			
Affin Hwang Income Fund I		<u>6,259</u>	<u>2,884</u>

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**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.

	<b>Affin Hwang Income Fund I 2020 RM'000</b>	<b>Affin Hwang Income Fund I 2019 RM'000</b>
<b>Summarised statement of comprehensive income:</b>		
Investment income	17,569	14,897
Management expenses	(1,370)	(1,691)
<b>Profit before taxation</b>	<b>16,199</b>	<b>13,206</b>
Taxation	-	-
<b>Net profit for the year, representing total comprehensive income for the year</b>	<b>16,199</b>	<b>13,206</b>
Attributable to non-controlling interests	6,259	2,884
<b>Summarised statement of financial position as at 31 December:</b>		
Investments	202,776	266,442
Cash and bank balances	36	1,257
Other payables	(826)	(1,269)
<b>Total net assets</b>	<b>201,986</b>	<b>266,430</b>
Attributable to:		
Equity holders of parent	108,691	158,752
Non-controlling interests	93,295	107,678
<b>Total equity</b>	<b>201,986</b>	<b>266,430</b>
<b>Summarised cash flow information for the year ended 31 December:</b>		
Operating activities	80,412	(100,665)
Financing activities	(80,643)	92,990
<b>Net decrease in cash and cash equivalents</b>	<b>(231)</b>	<b>(7,675)</b>

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**13. Insurance contract liabilities**

Group and Company	Note	2020			2019		
		Gross RM'000	Reinsu- rance RM'000 (Note 6)	Net RM'000	Gross RM'000	Reinsu- rance RM'000 (Note 6)	Net RM'000
Provision for claims reported by policyholders		517,465	(381,012)	136,453	421,965	(272,387)	149,578
Provision for IBNR claims and PRAD		255,797	(175,543)	80,254	185,847	(114,052)	71,795
Claim liabilities	(i)	773,262	(556,555)	216,707	607,812	(386,439)	221,373
Premium liabilities	(ii)	121,939	(73,802)	48,137	161,746	(97,097)	64,649
		<u>895,201</u>	<u>(630,357)</u>	<u>264,844</u>	<u>769,558</u>	<u>(483,536)</u>	<u>286,022</u>
<b>(i) Claim liabilities</b>							
At 1 January		607,812	(386,439)	221,373	593,693	(357,679)	236,014
Claims incurred in the current accident year		274,566	(179,338)	95,228	413,644	(287,711)	125,933
Adjustment to claims incurred in prior accident years due to changes in assumptions		43,760	(83,311)	(39,551)	(94,432)	45,091	(49,341)
Claims paid during the year (Note 23)		<u>(152,876)</u>	<u>92,533</u>	<u>(60,343)</u>	<u>(305,093)</u>	<u>213,860</u>	<u>(91,233)</u>
At 31 December		<u>773,262</u>	<u>(556,555)</u>	<u>216,707</u>	<u>607,812</u>	<u>(386,439)</u>	<u>221,373</u>

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**13. Insurance contract liabilities (cont'd.)**

<b>Group and Company (cont'd.)</b>	<b>Gross RM'000</b>	<b>2020 Reinsu- rance RM'000 (Note 6)</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>2019 Reinsu- rance RM'000 (Note 6)</b>	<b>Net RM'000</b>
<b>(ii) Premium liabilities</b>						
At 1 January	161,746	(97,097)	64,649	167,570	(95,779)	71,791
Premiums written during the year (Note 18)	322,569	(208,605)	113,964	390,607	(239,239)	151,368
Premiums earned during the year (Note 18)	(362,376)	231,900	(130,476)	(396,431)	237,921	(158,510)
At 31 December	<u>121,939</u>	<u>(73,802)</u>	<u>48,137</u>	<u>161,746</u>	<u>(97,097)</u>	<u>64,649</u>

As at 31 December 2020, the insurance contract liabilities above include the Company's proportionate share of MMIP's claim and premium liabilities amounting to RM27,215,000 (2019: RM31,223,000) and RM1,614,000 (2019: RM2,324,000) respectively.

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**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:

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Office premises</i>		
As at 1 January	2,145	3,781
Additions	4,248	346
Depreciation expense (Note 24)	(1,752)	(1,907)
Modification to lease term	(200)	(75)
As at 31 December	<u>4,441</u>	<u>2,145</u>

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

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Office premises</i>		
As at 1 January	2,211	3,781
Additions	4,248	346
Accretion of interest	236	181
Payments	(1,784)	(2,022)
Covid-19 related rent concessions (Note 22)	(141)	-
Modification to lease term	(200)	(75)
As at 31 December	<u>4,570</u>	<u>2,211</u>

**Covid-19 Related Rent Concessions**

As a practical expedient, the Group and the Company have adopted the treatment under Paragraph 46A of Amendments to MFRS 16 whereby it has not accounted for rent concessions which are direct consequences of the Covid-19 pandemic as lease modifications. Instead, the Group and the Company recognised these concessions in the statements of comprehensive income for the year ended 31 December 2020.



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**14. Leases (cont'd.)**

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

Extension options

The Group and the Company have several lease contracts of buildings which contain extension options exercisable by the Company. At the commencement of the lease, the Group and the Company assess whether it is reasonably certain to exercise such options. All of the extension options for buildings have been included in the lease liabilities because the Company is reasonably certain that the leases will be extended based on past practices and existing economic incentive.

The following are the amounts recognised in profit or loss:

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expense/(income)</b>		
Depreciation expense of right-of-use assets (Note 24)	1,752	1,907
Interest expense on lease liabilities	236	181
Covid-19 related rent concessions (Note 22)	(141)	-
Expense relating to lease of low value assets (Note 24)	301	265

The Group and the Company had total cash outflows for payment of lease liabilities of RM2,085,000 (2019: RM2,287,000). The Group and the Company also have non-cash additions to right-of-use assets of RM4,248,000 (2019: RM346,000).

**15. Insurance payables**

	<b>2020</b>	<b>2019</b>
<b>Group and Company</b>	<b>RM'000</b>	<b>RM'000</b>
Due to agents, brokers, co-insurers and insureds	21,014	31,254
Due to reinsurers and cedants	51,075	51,612
	<u>72,089</u>	<u>82,866</u>
<u>Offsetting of insurance receivables and insurance payables:</u>		
Gross amounts of recognised insurance payables	72,200	85,177
Less: Gross amounts of recognised insurance receivables offset in the statements of financial position	(111)	(2,311)
Net amount of recognised insurance payables	<u>72,089</u>	<u>82,866</u>

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

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**16. Other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial liabilities:</b>				
Claims payable	958	2,275	958	2,275
Reinsurance deposits	2,454	2,448	2,454	2,448
Retirement benefits	293	392	293	392
Collateral deposits	9,387	7,521	9,387	7,521
Amount due to holding company	369	373	369	373
Amount due to fellow subsidiaries	114	83	114	83
Accrued expenses	1,099	949	1,099	949
Others	16,107	17,084	15,280	15,815
	<u>30,781</u>	<u>31,125</u>	<u>29,954</u>	<u>29,856</u>
<b>Non-financial liabilities:</b>				
ESOS provision	2,137	2,647	2,137	2,647
	<u>32,918</u>	<u>33,772</u>	<u>32,091</u>	<u>32,503</u>

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**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross earned premiums (Note 18)	362,376	396,431	362,376	396,431
Investment income (Note 19)	26,730	26,940	22,362	22,602
	<u>389,106</u>	<u>423,371</u>	<u>384,738</u>	<u>419,033</u>

**18. Net earned premiums**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Gross earned premiums (Note 13)</b>		
Gross written premiums (Note 13)	322,569	390,607
Change in premium liabilities	39,807	5,824
	<u>362,376</u>	<u>396,431</u>
<b>(b) Premiums ceded to reinsurers (Note 13)</b>		
Gross premiums ceded to reinsurers (Note 13)	208,605	239,239
Change in premium liabilities	23,295	(1,318)
	<u>231,900</u>	<u>237,921</u>
<b>Net earned premiums (Note 13)</b>	<u>130,476</u>	<u>158,510</u>

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**19. Investment income**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	-	15	-	15
Interest income:				
- Amortised cost financial assets	1,005	1,007	858	1,007
- FVTPL financial assets	11,869	10,868	464	886
Share of investment income of MMIP	3,389	3,529	3,389	3,529
Dividend income:				
- Collective investment schemes	-	-	6,662	5,252
- Unit trust funds	10,989	11,934	10,989	11,934
	<u>27,252</u>	<u>27,353</u>	<u>22,362</u>	<u>22,623</u>
Net amortisation of premiums on investments	(522)	(413)	-	(21)
	<u>26,730</u>	<u>26,940</u>	<u>22,362</u>	<u>22,602</u>

**20. Realised gains and losses**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Property and equipment:</b>				
Realised (losses)/gains on disposal of property and equipment	(8)	2,318	(8)	2,318
	<u>(8)</u>	<u>2,318</u>	<u>(8)</u>	<u>2,318</u>
<b>FVTPL financial assets:</b>				
Realised gains:				
Collective investment schemes	-	970	4,402	970
Unit trust funds	10,214	-	10,214	-
Unquoted debt securities in Malaysia	5,053	821	-	-
	<u>15,267</u>	<u>1,791</u>	<u>14,616</u>	<u>970</u>
Total realised gains for FVTPL financial assets	<u>15,259</u>	<u>4,109</u>	<u>14,608</u>	<u>3,288</u>

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**21. Fair value gains and losses**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>FVTPL financial assets:</b>				
Unrealised gains/losses:				
Unquoted debt securities in Malaysia	1,695	4,660	211	279
Quoted unit trust funds in Malaysia	(5,796)	4,664	(5,796)	4,664
Collective investment schemes	-	-	(1,126)	5,071
Total unrealised (losses)/gains for FVTPL financial assets	<u>(4,101)</u>	<u>9,324</u>	<u>(6,711)</u>	<u>10,014</u>

**22. Other operating income**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Commission from MMIP	2	31
Sundry income	1,605	945
Management fee income	1,200	263
Covid-19 related rent concessions (Note 14)	141	-
	<u>2,948</u>	<u>1,239</u>

**23. Net claims**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Gross claims paid (Note 13)</b>	(152,876)	(305,093)
<b>(b) Claims ceded to reinsurers (Note 13)</b>	92,533	213,860
Net claims paid (a) (Note 13)	<u>(60,343)</u>	<u>(91,233)</u>
<b>(c) Gross change in contract liabilities</b>	(165,450)	(14,119)
<b>(d) Change in contract liabilities ceded to reinsurers</b>	170,116	28,760
Net change in contract liabilities (b)	<u>4,666</u>	<u>14,641</u>
Net claims (a) + (b)	<u>(55,677)</u>	<u>(76,592)</u>

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**24. Management expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Employee benefits expense (Note 24(a))	36,599	38,830	36,599	38,830
Directors' remuneration (Note 24(b))	825	936	825	936
Auditors' remuneration:				
Audit fees to auditor of the parent	443	319	443	319
Regulatory related fees	60	71	60	71
Non-audit fees	23	22	23	22
Audit fees to other audit firms	12	12	-	-
Depreciation of property and equipment (Note 3)	1,220	1,302	1,220	1,302
Depreciation of right-of-use assets (Note 14)	1,752	1,907	1,752	1,907
Amortisation of intangible assets (Note 4)	1,278	936	1,278	936
Allowance for/(write-back of) impairment losses on:				
Insurance receivables (Note 7)	6,615	3,601	6,615	3,601
Reinsurance assets	2,277	(145)	2,277	(145)
Bad debts written off (Note 7)	1	49	1	49
Expenses relating to low-value assets (Note 14)	301	265	301	265
Printing charges	2,912	3,663	2,912	3,663
Publicity expenses	5,202	7,534	5,202	7,534
Communication expenses	609	575	609	575
Computer expenses	2,739	2,779	2,739	2,779
Training expenses	641	2,270	641	2,270
Gifts and entertainment expenses	752	1,745	752	1,745
Utility and upkeep expenses	798	824	798	824
Bank charges	898	1,301	898	1,301
Other professional fees	1,976	2,508	1,976	2,508
Management fees	2,710	2,002	2,710	2,002
Other administration and general expenses	3,225	3,204	1,867	1,630
	<u>73,868</u>	<u>76,510</u>	<u>72,498</u>	<u>74,924</u>

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**24. Management expenses (cont'd.)**

**(a) Employee benefits expense**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Wages and salaries	30,977	32,483
Social security contributions	233	232
Contributions to defined contribution plan - EPF	3,540	3,921
Share-based compensation	(510)	(375)
Termination benefits	-	151
Other benefits	2,359	2,418
	<u>36,599</u>	<u>38,830</u>

Included in employee benefits expense is the Chief Executive Officer's ("CEO") remuneration of RM883,000 (2019: RM1,631,000) 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:

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
<b>Directors of the Company</b>	<b>RM'000</b>	<b>RM'000</b>
Executive directors:		
Fees	41	28
Allowances and other emoluments	18	14
	<u>59</u>	<u>42</u>
Non-executive directors:		
Fees	532	566
Allowances and other emoluments	234	328
	<u>766</u>	<u>894</u>
Total	<u>825</u>	<u>936</u>

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**24. Management expenses (cont'd.)**

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

<b>Directors of the Company:</b>	<b>Fees RM'000</b>	<b>Allowances and other emoluments RM'000</b>	<b>Total RM'000</b>
<b>2020</b>			
<u>Executive director:</u>			
Khoo Ai Lin - paid directly to Tune Protect Group Berhad (retired on 30 July 2020)	41	18	59
<u>Non-executive directors:</u>			
Mohd Yusof Bin Hussian	169	64	233
Chee Siew Eng	113	54	167
Tan Ming-Li	113	54	167
Lim Chong Beng	137	62	199
	<u>532</u>	<u>234</u>	<u>766</u>
Total	<u>573</u>	<u>252</u>	<u>825</u>
<b>2019</b>			
<u>Executive director:</u>			
Khoo Ai Lin - paid directly to Tune Protect Group Berhad	28	14	42
<u>Non-executive directors:</u>			
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
	<u>566</u>	<u>328</u>	<u>894</u>
Total	<u>594</u>	<u>342</u>	<u>936</u>

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**24. Management expenses (cont'd.)**

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

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

<b>Directors of the Company:</b>	<b>Number of directors</b>	
	<b>2020</b>	<b>2019</b>
Executive director:		
RM1 - RM50,000	-	1
RM50,000 - RM100,000	1	-
Non-executive directors:		
RM50,001 - RM100,000	-	1
RM150,001 - RM200,000	3	3
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:

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Salary	720	736
Retention/gratuity payments	-	465
EPF	100	205
Bonus	63	225
Total remuneration excluding benefits-in-kind (Note 24(a))	883	1,631
Estimated money value of benefits-in-kind	21	22
Share options in Tune Protect Group Berhad	26	8
Total remuneration	930	1,661

**25. Other operating expenses**

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Property and equipment written off	2	11
Allowance for impairment losses on other receivables	-	355
Realised foreign exchange losses	47	58
	49	424



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**26. Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Current income tax	5,357	3,517	5,357	3,517
Under/(over) provision in prior year	408	(35)	408	(35)
	<u>5,765</u>	<u>3,482</u>	<u>5,765</u>	<u>3,482</u>
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	682	(398)	682	(398)
(Over)/under provision in prior year	(375)	39	(375)	39
	<u>307</u>	<u>(359)</u>	<u>307</u>	<u>(359)</u>
	<u>6,072</u>	<u>3,123</u>	<u>6,072</u>	<u>3,123</u>

Current income and deferred tax is based on the corporate tax rate of 24% (2019: 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:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>38,118</u>	<u>40,121</u>	<u>31,859</u>	<u>37,238</u>
Taxation at Malaysian statutory tax rate of 24%	9,148	9,629	7,646	8,937
Non-taxable income	(4,077)	(7,784)	(2,575)	(7,092)
Expenses not deductible for tax purposes	968	1,088	968	1,088
Under/(over) provision of taxation in prior year	408	(35)	408	(35)
Effect of gains subject to RPGT	-	186	-	186
(Over)/under provision of deferred taxation in prior year	(375)	39	(375)	39
Tax expense for the year	<u>6,072</u>	<u>3,123</u>	<u>6,072</u>	<u>3,123</u>

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 years, as further described in Note 9.

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**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.

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to ordinary equity holders	25,787	34,114
Number of ordinary shares in issue ('000)	100,013	100,013
Basic and diluted earnings per share (sen)	<u>25.78</u>	<u>34.11</u>

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**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and paid:</b>				
Dividend on ordinary shares paid by the Company:				
Final dividend of RM0.17 (2019: RM0.10) per ordinary share in respect of the financial year ended 31 December 2019 (2019: 31 December 2018)	<u>17,002</u>	<u>10,001</u>	<u>17,002</u>	<u>10,001</u>

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**29. Capital commitments**

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

<b>Group and Company</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
<b>Capital expenditure:</b>		
Approved but not contracted for:		
Intangible assets	43,821	42,281
Property and equipment	1,135	645
	<u>44,956</u>	<u>42,926</u>

**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 companies**

The affiliated companies are AirAsia Digital Sdn Bhd 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.

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**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:

	<b>2020</b>	<b>2019</b>
<b>Income/(expenses):</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with related companies of AirAsia Digital Sdn Bhd:</b>		
<b>AirAsia Berhad:</b>		
Gross written premium	10,725	34,711
Fee and commission expenses	(2,671)	(8,671)
<b>Thai AirAsia Co. Ltd</b>		
Gross written premium	83	1,151
Fee and commission expenses	-	(288)
<b>PT Indonesia AirAsia</b>		
Gross written premium	376	2,053
Fee and commission expenses	-	(513)
<b>PT Indonesia AirAsia Extra</b>		
Gross written premium	9	2
Fee and commission expenses	(2)	-
<b>Philippines AirAsia</b>		
Gross written premium	39	276
Fee and commission expenses	-	(69)
<b>Air Asia X Berhad</b>		
Gross written premium	1,300	7,627
Fee and commission expenses	(324)	(1,905)
<b>BigPay Malaysia Sdn Bhd</b>		
Gross written premium (net of rebate)	16	15
<b>BigLife Sdn Bhd</b>		
Gross written premium (net of rebate)	9	10
Other expenses	(10)	-

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**30. Related party disclosures (cont'd.)**

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

	<b>2020</b>	<b>2019</b>
<b>Income/(expenses): (cont'd.)</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with related companies of Tune Group Sdn Bhd:</b>		
<b>Tune Talk Sdn Bhd</b>		
Gross written premium	19	84
Fee and commission expenses	-	(17)
<b>ECM Libra Financial Group Berhad</b>		
Gross written premium	8	4
<b>ECML Hotels Sdn Bhd</b>		
Gross written premium (net of rebate)	164	66
<b>Libra Invest Berhad</b>		
Gross written premium (net of rebate)	-	22
<b>SP&amp;G Gallagher Insurance Brokers</b>		
Gross written premium	4,574	4,142
Fee and commission expenses	(562)	(641)
<b>Epsom College in Malaysia</b>		
Gross written premium (net of rebate)	316	407
	<hr/>	<hr/>
<b>Fellow subsidiaries:</b>		
<b>Tune Protect Re Ltd.</b>		
Premiums ceded to reinsurers	(4,624)	(23,013)
Fee and commission income	1,388	6,898
Claims recovery	543	2,850
Other income	33	431
Management fee income	306	-
Reimbursement of expenses	(222)	(1,394)
Director's fee	-	12
<b>White Label Sdn Bhd</b>		
Gross written premium	8	-
Other expenses (net of recovery)	(309)	-
Management fee income	114	-
Purchase of computer software	(722)	-
Management fee expenses	(416)	-
	<hr/>	<hr/>

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**30. Related party disclosures (cont'd.)**

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

**Holding company:**

**Tune Protect Group Berhad**

Insurance premium	35	40
Fee and commission	(2)	(7)
Dividend paid	(14,156)	(8,327)
Management fee expenses	(2,294)	(2,002)
Management fee income	780	263
Other expenses (net of recovery)	<u>(2,380)</u>	<u>(2,560)</u>

**(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:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Insurance receivables</b>		
<b>Related companies:</b>		
Air Asia Berhad	3,586	3,425
Indonesia AirAsia	305	376
Thai AirAsia Co. Ltd	-	124
PT Indonesia AirAsia	8	1
Air Asia X Berhad	14	1,127
Tune Talk Sdn Bhd	-	23
SP&G Gallagher Insurance Brokers	-	591
Big Pay Malaysia Sdn Bhd	-	7
Epsom College in Malaysia	111	177
ECM Libra Financial Group Berhad	100	-
<b>Fellow subsidiary:</b>		
Tune Protect Re Ltd.	6	16
	<u>4,130</u>	<u>5,867</u>

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**30. Related party disclosures (cont'd.)**

**(b) Related party balances (cont'd.)**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other payables</b>		
<b>Fellow subsidiaries:</b>		
Tune Protect Re Ltd.	-	(83)
White Label Sdn Bhd	(114)	-
<b>Holding company:</b>		
Tune Protect Group Berhad	(369)	(373)
	<u>(483)</u>	<u>(456)</u>
<b>Insurance payables</b>		
Tune Protect Re Ltd. - fellow subsidiary	(880)	(3,515)
Thai AirAsia Co. Ltd	(2)	-
SP&G Gallagher Insurance Brokers	(357)	-
	<u>(1,239)</u>	<u>(3,515)</u>

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.

**(c) Compensation of key management personnel**

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

	<b>2020</b>	<b>2019</b>
<b>Group and Company</b>	<b>RM'000</b>	<b>RM'000</b>
Non-executive directors' remuneration (Note 24(b))	766	894
Executive director's remuneration (Note 24(b))	59	42
CEO's remuneration (Note 24(c))	930	1,661
	<u>1,755</u>	<u>2,597</u>

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.

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**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:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Company</b>		
<b>Eligible Tier 1 capital</b>		
Paid-up share capital	103,348	103,348
Reserves, including retained earnings	<u>211,520</u>	<u>202,735</u>
	314,868	306,083
Amount deducted from capital	<u>(3,866)</u>	<u>(3,668)</u>
<b>Total capital available</b>	<u>311,002</u>	<u>302,415</u>



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**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.

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**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.

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**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.

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**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.

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**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;

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**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.

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**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 responsibility is roles and responsibilities are 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

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**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 the 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;



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**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:

	<b>Amortised Cost RM'000</b>	<b>FVTPL RM'000</b>	<b>Assets under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>2020</b>				
<b>Group</b>				
<b>Assets</b>				
Investments	37,045	577,916	-	614,961
Reinsurance assets	-	-	627,107	627,107
Insurance receivables	78,238	-	-	78,238
Other receivables (net of prepayments and assets held under MMIP)	2,800	-	-	2,800
	<u>118,083</u>	<u>577,916</u>	<u>627,107</u>	<u>1,323,106</u>

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

		<b>Other financial liabilities RM'000</b>	<b>Liabilities under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>2020 (cont'd.)</b>				
<b>Group (cont'd.)</b>				
<b>Liabilities</b>				
Insurance contract liabilities	-	895,201	895,201	
Lease liabilities	4,570	-	4,570	
Insurance payables	72,089	-	72,089	
Other payables (net of provisions and accrued expenses)	30,781	-	30,781	
	<u>107,440</u>	<u>895,201</u>	<u>1,002,641</u>	
	<b>Amortised Cost RM'000</b>	<b>FVTPL RM'000</b>	<b>Assets under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>2019</b>				
<b>Group</b>				
<b>Assets</b>				
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
	<u>137,783</u>	<u>586,865</u>	<u>482,563</u>	<u>1,207,211</u>
		<b>Other financial liabilities RM'000</b>	<b>Liabilities under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>				
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)	31,125	-	31,125	
	<u>116,202</u>	<u>769,558</u>	<u>885,760</u>	

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

<b>2020</b>	<b>Amortised Cost RM'000</b>	<b>FVTPL RM'000</b>	<b>Assets under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>Company</b>				
<b>Assets</b>				
Investments	34,107	486,768	-	520,875
Reinsurance assets	-	-	627,107	627,107
Insurance receivables	78,238	-	-	78,238
Other receivables (net of prepayments and assets held under MMIP)	2,800	-	-	2,800
	<u>115,145</u>	<u>486,768</u>	<u>627,107</u>	<u>1,229,020</u>
		<b>Other financial liabilities RM'000</b>	<b>Liabilities under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>				
Insurance contract liabilities		-	895,201	895,201
Lease liabilities		4,570	-	4,570
Insurance payables		72,089	-	72,089
Other payables (net of provisions and accrued expenses)		29,954	-	29,954
		<u>106,613</u>	<u>895,201</u>	<u>1,001,814</u>
<b>2019</b>	<b>Amortised Cost RM'000</b>	<b>FVTPL RM'000</b>	<b>Assets under MFRS 4 RM'000</b>	<b>Total RM'000</b>
<b>Company</b>				
<b>Assets</b>				
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
	<u>135,836</u>	<u>481,122</u>	<u>482,563</u>	<u>1,099,521</u>

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

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
<b>2019 (cont'd.)</b>			
<b>Company (cont'd.)</b>			
<b>Liabilities</b>			
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)	29,856	-	29,856
	<u>114,933</u>	<u>769,558</u>	<u>884,491</u>

**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
<u>Premium liabilities</u>			
<b>2020</b>			
Motor	53,362	(26,136)	27,226
Fire	16,811	(12,830)	3,981
Marine, Aviation and Transit ("MAT")	25,344	(23,958)	1,386
Others	26,422	(10,878)	15,544
	<u>121,939</u>	<u>(73,802)</u>	<u>48,137</u>
<u>Premium liabilities</u>			
<b>2019</b>			
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
	<u>161,746</u>	<u>(97,097)</u>	<u>64,649</u>

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**34. Insurance risk (cont'd.)**

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

<b>Group and Company</b>	<b>Gross RM'000</b>	<b>Re- insurance RM'000</b>	<b>Net RM'000</b>
<u>Claim liabilities</u>			
<b>2020</b>			
Motor	285,714	(130,569)	155,145
Fire	183,018	(171,731)	11,287
MAT	128,662	(119,804)	8,858
Others	175,868	(134,451)	41,417
	<u>773,262</u>	<u>(556,555)</u>	<u>216,707</u>
<u>Claim liabilities</u>			
<b>2019</b>			
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
	<u>607,812</u>	<u>(386,439)</u>	<u>221,373</u>

**(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.

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**34. Insurance risk (cont'd.)**

**(b) Sensitivity analysis (cont'd.)**

**Key assumptions (cont'd.)**

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.

**Sensitivities**

The general insurance contract 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.

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**34. Insurance risk (cont'd.)**

**(b) Sensitivity analysis (cont'd.)**

Group and Company	Changes in variable	-----Increase/(decrease)-----			
		Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	* Impact on equity RM'000
2020					
Loss ratio	+10%	46,609	21,979	(21,979)	(16,704)
PRAD	+10%	9,497	1,936	(1,936)	(1,471)
Provision for expenses	+10%	1,386	1,386	(1,386)	(1,054)
Loss ratio	-10%	(36,397)	(18,359)	18,359	13,953
PRAD	-10%	(8,236)	(1,936)	1,936	1,471
Provision for expenses	-10%	(1,386)	(1,386)	1,386	1,054
Group and Company					
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

\* Impact is net of tax of 24% (2019: 24%).

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**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 2020:**

<b>Accident year</b>	<b>2013 &amp; prior RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>Total RM'000</b>
At the end of accident year	211,969	246,130	256,297	229,818	332,338	419,111	413,644	274,566	
One year later	173,116	207,343	207,973	190,560	321,812	395,085	412,308		
Two years later	154,652	183,695	189,658	177,779	263,327	455,939			
Three years later	148,205	171,284	185,293	171,898	255,215				
Four years later	136,947	169,387	185,029	168,754					
Five years later	127,251	168,048	183,568						
Six years later	136,678	166,421							
Seven years later	135,264								
<b>Current estimate of cumulative claims incurred</b>	<b>135,264</b>	<b>166,421</b>	<b>183,568</b>	<b>168,754</b>	<b>255,215</b>	<b>455,939</b>	<b>412,308</b>	<b>274,566</b>	<b>2,052,035</b>
At the end of accident year	(47,381)	(54,979)	(57,884)	(58,917)	(85,432)	(66,383)	(80,157)	(38,898)	
One year later	(91,862)	(120,315)	(125,894)	(118,303)	(174,301)	(238,424)	(151,759)		
Two years later	(104,766)	(144,298)	(150,069)	(138,351)	(204,177)	(265,904)			
Three years later	(112,583)	(153,854)	(164,360)	(148,596)	(214,375)				
Four years later	(114,124)	(157,531)	(172,133)	(150,154)					
Five years later	(119,878)	(158,839)	(174,019)						
Six years later	(123,571)	(159,424)							
Seven years later	(124,240)								
<b>Cumulative payments to-date</b>	<b>(124,240)</b>	<b>(159,424)</b>	<b>(174,019)</b>	<b>(150,154)</b>	<b>(214,375)</b>	<b>(265,904)</b>	<b>(151,759)</b>	<b>(38,898)</b>	<b>(1,278,773)</b>
<b>Gross general insurance contract liabilities per statements of financial position (Note 13(i))</b>	<b>11,024</b>	<b>6,997</b>	<b>9,549</b>	<b>18,600</b>	<b>40,840</b>	<b>190,035</b>	<b>260,549</b>	<b>235,668</b>	<b>773,262</b>



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**34. Insurance risk (cont'd.)**

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

**Group and Company (cont'd.)**

**Net general insurance contract liabilities for 2020:**

<b>Accident year</b>	<b>2013 &amp; prior RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2020 RM'000</b>	<b>Total RM'000</b>
At the end of accident year	120,999	144,802	158,569	170,009	203,874	149,367	125,933	95,228	
One year later	103,629	123,661	124,410	140,195	174,838	127,793	109,621		
Two years later	96,867	107,164	110,685	131,430	157,504	117,552			
Three years later	92,564	98,948	104,518	125,293	151,629				
Four years later	83,153	96,123	102,064	121,496					
Five years later	81,213	95,527	101,070						
Six years later	82,981	94,341							
Seven years later	81,835								
<b>Current estimate of cumulative claims incurred</b>	<b>81,835</b>	<b>94,341</b>	<b>101,070</b>	<b>121,496</b>	<b>151,629</b>	<b>117,552</b>	<b>109,621</b>	<b>95,228</b>	<b>872,772</b>
At the end of accident year	(35,220)	(39,627)	(37,371)	(45,175)	(59,278)	(35,666)	(29,966)	(19,485)	
One year later	(64,442)	(73,221)	(72,798)	(85,912)	(107,969)	(72,360)	(52,726)		
Two years later	(72,345)	(84,040)	(84,626)	(100,544)	(122,450)	(81,718)			
Three years later	(76,604)	(89,070)	(91,523)	(107,374)	(128,356)				
Four years later	(77,591)	(90,375)	(93,764)	(108,601)					
Five years later	(78,412)	(91,030)	(94,845)						
Six years later	(78,778)	(91,240)							
Seven years later	(79,094)								
<b>Cumulative payments to-date</b>	<b>(79,094)</b>	<b>(91,240)</b>	<b>(94,845)</b>	<b>(108,601)</b>	<b>(128,356)</b>	<b>(81,718)</b>	<b>(52,726)</b>	<b>(19,485)</b>	<b>(656,065)</b>
<b>Net general insurance contract liabilities per statements of financial position (Note 13(i))</b>	<b>2,741</b>	<b>3,101</b>	<b>6,225</b>	<b>12,895</b>	<b>23,273</b>	<b>35,834</b>	<b>56,895</b>	<b>75,743</b>	<b>216,707</b>

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**34. Insurance risk (cont'd.)**

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

**Group and Company (cont'd.)**

**Gross general insurance contract liabilities for 2019:**

<b>Accident year</b>	<b>2012 &amp; prior RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>Total RM'000</b>
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								
<b>Current estimate of cumulative claims incurred</b>	<b>210,561</b>	<b>126,287</b>	<b>168,048</b>	<b>185,029</b>	<b>171,898</b>	<b>263,327</b>	<b>395,087</b>	<b>413,643</b>	<b>1,933,880</b>
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)								
<b>Cumulative payments to-date</b>	<b>(202,022)</b>	<b>(121,718)</b>	<b>(158,839)</b>	<b>(172,133)</b>	<b>(148,596)</b>	<b>(204,177)</b>	<b>(238,426)</b>	<b>(80,157)</b>	<b>(1,326,068)</b>
<b>Gross general insurance contract liabilities per statements of financial position (Note 13(i))</b>	<b>8,539</b>	<b>4,569</b>	<b>9,209</b>	<b>12,896</b>	<b>23,302</b>	<b>59,150</b>	<b>156,661</b>	<b>333,486</b>	<b>607,812</b>

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**34. Insurance risk (cont'd.)**

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

**Group and Company (cont'd.)**

**Net general insurance contract liabilities for 2019:**

<b>Accident year</b>	<b>2012 &amp; prior RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>Total RM'000</b>
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								
<b>Current estimate of cumulative claims incurred</b>	<b>100,740</b>	<b>80,705</b>	<b>95,527</b>	<b>102,064</b>	<b>125,293</b>	<b>157,504</b>	<b>127,794</b>	<b>125,932</b>	<b>915,559</b>
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)								
<b>Cumulative payments to-date</b>	<b>(98,720)</b>	<b>(78,522)</b>	<b>(91,030)</b>	<b>(93,764)</b>	<b>(107,374)</b>	<b>(122,449)</b>	<b>(72,361)</b>	<b>(29,966)</b>	<b>(694,186)</b>
<b>Net general insurance contract liabilities per statements of financial position (Note 13(i))</b>	<b>2,020</b>	<b>2,183</b>	<b>4,497</b>	<b>8,300</b>	<b>17,919</b>	<b>35,055</b>	<b>55,433</b>	<b>95,966</b>	<b>221,373</b>

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**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.

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**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.

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**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 2020 and 31 December 2019.

The following table shows the movement in gross insurance receivables and the loss allowance recognised for credit impaired receivables:

<b>Group and Company</b>	<b>Not credit impaired RM'000</b>	<b>Credit impaired RM'000</b>	<b>Total RM'000</b>
<b>Gross carrying amount</b>			
As at 1 January 2019	100,867	43,717	144,584
Decrease	(20,493)	(5,407)	(25,900)
As at 1 January 2020	80,374	38,310	118,684
Decrease	(8,692)	(8,931)	(17,623)
As at 31 December 2020	71,682	29,379	101,061
<b>Allowance for ECL</b>			
As at 1 January 2019	4,117	15,182	19,299
(Decrease)/Increase	(189)	2,702	2,513
As at 1 January 2020	3,928	17,884	21,812
(Decrease)/Increase	(424)	1,434	1,010
As at 31 December 2020	3,504	19,318	22,822

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**35. Financial risks (cont'd.)**

**(a) Credit risk (cont'd.)**

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

	Days past due					Total RM'000
	< 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	
<b>Group and Company</b>						
<b>31 December 2020</b>						
ECL rate	2%	2%	2%	3%	55%	23%
Gross carrying amount of insurance receivables	19,667	5,113	7,323	29,958	39,000	101,061
Allowance for ECL	320	117	114	833	21,438	22,822
<b>31 December 2019</b>						
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

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**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.

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortised cost:					
Fixed and call deposits with licensed financial institutions	5(a)	36,888	35,176	33,950	33,229
Loans receivable:					
Staff mortgage loans	5(a)	154	164	154	164
Other unsecured staff loans	5(a)	3	4	3	4
FVTPL financial assets:					
Debt securities	5(b)	210,400	274,845	10,561	10,350
Reinsurance assets	6	556,555	386,439	556,555	386,439
Insurance receivables	7	78,238	96,823	78,238	96,823
Other receivables (net of prepayments and assets held under MMIP)	8	2,800	5,616	2,800	5,616
Cash and bank balances		4,271	8,423	4,235	7,166
		<b>889,309</b>	<b>807,490</b>	<b>686,496</b>	<b>539,791</b>



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**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
<b>Group</b>						
<b>2020</b>						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	28,910	6,350	-	-	1,627	36,888
Loans receivable:						
Staff mortgage loans	-	-	-	-	154	154
Other unsecured staff loans	-	-	-	-	3	3
FVTPL financial assets:						
Debt securities *	35,838	146,241	9,523	-	18,798	210,400
Reinsurance assets ^	-	1,559	117,035	16,167	421,794	556,555
Insurance receivables ^	-	290	4,019	12	73,917	78,238
Other receivables (net of prepayments and assets held under MMIP)	222	131	-	-	2,447	2,800
Cash and bank balances	1,194	2,843	174	-	60	4,271
	<u>66,165</u>	<u>157,414</u>	<u>130,750</u>	<u>16,179</u>	<u>518,800</u>	<u>889,308</u>

^ Reinsurance assets and insurance receivables from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

\* Investments in sovereign debt securities are classified under the "not-rated" category.

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**35. Financial risks (cont'd.)**

**(a) Credit risk (cont'd.)**

**Credit exposure by credit rating (cont'd.)**

<b>Group</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BBB and lower RM'000</b>	<b>Not rated RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
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
	<b>84,538</b>	<b>199,726</b>	<b>129,608</b>	<b>26</b>	<b>393,592</b>	<b>807,490</b>

^ Reinsurance assets and insurance receivables from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

\* Investments in sovereign debt securities are classified under the "not-rated" category.

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**35. Financial risks (cont'd.)**

**(a) Credit risk (cont'd.)**

**Credit exposure by credit rating (cont'd.)**

<b>Company</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BBB and lower RM'000</b>	<b>Not rated RM'000</b>	<b>Total RM'000</b>
<b>2020</b>						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	25,973	6,350	-	-	1,627	33,950
Loans receivable:						
Staff mortgage loans	-	-	-	-	154	154
Other unsecured staff loans	-	-	-	-	3	3
FVTPL financial assets:						
Debt securities	5,360	5,201	-	-	-	10,561
Reinsurance assets ^	-	1,559	117,035	16,167	421,794	556,555
Insurance receivables ^	-	290	4,019	12	73,917	78,238
Other receivables (net of prepayments and assets held under MMIP)	222	131	-	-	2,447	2,800
Cash and bank balances	1,194	2,807	174	-	60	4,235
	<b>32,749</b>	<b>16,338</b>	<b>121,228</b>	<b>16,179</b>	<b>500,002</b>	<b>686,496</b>

^ Reinsurance assets and insurance receivables from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

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**35. Financial risks (cont'd.)**

**(a) Credit risk (cont'd.)**

**Credit exposure by credit rating (cont'd.)**

<b>Company</b>	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>BBB and lower RM'000</b>	<b>Not rated RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
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
	<b>39,514</b>	<b>15,398</b>	<b>102,327</b>	<b>26</b>	<b>382,526</b>	<b>539,791</b>

^ Reinsurance assets and insurance receivables from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

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**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.

<b>Group</b>	<b>Carrying value RM'000</b>	<b>Less than 1 year RM'000</b>	<b>Over 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2020</b>						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	36,888	36,986	-	-	-	36,986
Loans receivable:						
Secured staff mortgage loans	154	-	-	154	-	154
Other unsecured staff loans	3	3	-	-	-	3
FVTPL financial assets:						
Unit trust funds	367,516	-	-	-	367,516	367,516
Debt securities	210,400	21,826	86,141	142,124	-	250,091
Reinsurance assets	556,555	274,466	271,076	11,013	-	556,555
Insurance receivables	78,238	78,238	-	-	-	78,238
Other receivables (net of prepayments and assets held under MMIP)	2,800	2,800	-	-	-	2,800
Cash and bank balances	4,271	4,271	-	-	-	4,271
	<b>1,256,825</b>	<b>418,590</b>	<b>357,217</b>	<b>153,291</b>	<b>367,516</b>	<b>1,296,614</b>

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**35. Financial risks (cont'd.)**

**(b) Liquidity risk (cont'd.)**

**Maturity profiles (cont'd.)**

<b>Group (cont'd.)</b>	<b>Carrying value RM'000</b>	<b>Less than 1 year RM'000</b>	<b>Over 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2020</b>						
Insurance contract liabilities	773,262	389,319	369,241	14,702	-	773,262
Lease liabilities	4,570	13	4,462	498	-	4,973
Insurance payables	72,089	72,089	-	-	-	72,089
Other payables (net of provisions)	30,781	30,488	-	293	-	30,781
	<u>880,702</u>	<u>491,909</u>	<u>373,703</u>	<u>15,493</u>	<u>-</u>	<u>881,105</u>
<b>2019</b>						
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
	<u>1,119,510</u>	<u>372,239</u>	<u>315,860</u>	<u>191,432</u>	<u>312,020</u>	<u>1,191,551</u>

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**35. Financial risks (cont'd.)**

**(b) Liquidity risk (cont'd.)**

**Maturity profiles (cont'd.)**

<b>Group (cont'd.)</b>	<b>Carrying value RM'000</b>	<b>Less than 1 year RM'000</b>	<b>Over 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
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)	31,125	30,733	104	288	-	31,125
	<b>724,014</b>	<b>448,328</b>	<b>261,305</b>	<b>14,595</b>	<b>-</b>	<b>724,228</b>
<b>Company</b>						
<b>2020</b>						
Amortised cost:						
Fixed and call deposits with licensed financial institutions	33,950	34,049	-	-	-	34,049
Loans receivable:						
Secured staff mortgage loans	154	-	-	154	-	154
Other unsecured staff loans	3	3	-	-	-	3
FVTPL financial assets:						
Unit trust funds	367,516	-	-	-	367,516	367,516
Collective investment schemes	108,691	-	-	-	108,691	108,691
Debt securities	10,561	464	6,491	5,241	-	12,196
Reinsurance assets	556,555	274,466	271,076	11,013	-	556,555
Insurance receivables	78,238	78,238	-	-	-	78,238
Other receivables (net of prepayments and assets held under MMIP)	2,800	2,800	-	-	-	2,800
Cash and bank balances	4,235	4,235	-	-	-	4,235
	<b>1,162,703</b>	<b>394,255</b>	<b>277,567</b>	<b>16,408</b>	<b>476,207</b>	<b>1,164,437</b>

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**35. Financial risks (cont'd.)**

**(b) Liquidity risk (cont'd.)**

**Maturity profiles (cont'd.)**

<b>Company (cont'd.)</b>	<b>Carrying value RM'000</b>	<b>Less than 1 year RM'000</b>	<b>Over 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2020</b>						
Insurance contract liabilities	773,262	389,319	369,241	14,702	-	773,262
Lease liabilities	4,570	13	4,462	498	-	4,973
Insurance payables	72,089	72,089	-	-	-	72,089
Other payables (net of provisions)	29,954	29,661	-	293	-	29,954
	<b>879,875</b>	<b>491,082</b>	<b>373,703</b>	<b>15,493</b>	<b>-</b>	<b>880,278</b>

**Company**

**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
	<b>1,010,563</b>	<b>359,543</b>	<b>168,025</b>	<b>14,198</b>	<b>470,772</b>	<b>1,012,538</b>



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**35. Financial risks (cont'd.)**

**(b) Liquidity risk (cont'd.)**

**Maturity profiles (cont'd.)**

<b>Company (cont'd.)</b>	<b>Carrying value RM'000</b>	<b>Less than 1 year RM'000</b>	<b>Over 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2019</b>						
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)	29,856	29,464	104	288	-	29,856
	<u>722,745</u>	<u>447,059</u>	<u>261,305</u>	<u>14,595</u>	<u>-</u>	<u>722,959</u>

**(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.

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**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) -----		
	*Effect on			*Effect on		
	net			net		
	Change in	income for	*Effect on	Change in	income for	*Effect on
	variable	the year	equity	variable	the year	equity
	%	RM'000	RM'000	%	RM'000	RM'000
<b>2020</b>						
Market indices:						
NAV	+10	27,931	27,931	+10	36,192	36,192
NAV	-10	(27,931)	(27,931)	-10	(36,192)	(36,192)
<b>2019</b>						
Market indices:						
NAV	+10	23,714	23,714	+10	35,779	35,779
NAV	-10	(23,714)	(23,714)	-10	(35,779)	(35,779)

\* Impact is net of tax of 24% (2019: 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.

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**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 net 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. During the current financial year, the method used for deriving sensitivity information did not change from the previous period but the assumptions have been increased to 200 bps to take into considerations the impact of the Covid-19 pandemic to the market.

	Group			Company		
	----- Increase/(decrease) -----			----- Increase/(decrease) -----		
	* Effect on			* Effect on		
	net			net		
	income for			income for		
	the year			the year		
	RM'000			RM'000		
	Changes in	* Effect on	Changes in	Changes in	* Effect on	Changes in
	basis points	equity	basis points	basis points	equity	basis points
		RM'000	RM'000		RM'000	RM'000
<b>2020</b>						
Interest rates	+ 200 bps	(573)	(573)	+ 200 bps	(17)	(17)
Interest rates	- 200 bps	573	573	- 200 bps	17	17
<b>2019</b>						
Interest rates	+ 100 bps	(459)	(459)	+ 100 bps	(13)	(13)
Interest rates	- 100 bps	459	459	- 100 bps	13	13

\* Impact is net of tax of 24% (2019: 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.

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**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:

Group	Date of valuation	----- Valuation techniques using -----			Total RM'000
		Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un- observable inputs (Level 3) RM'000	
<b>Assets measured at fair value</b>					
<b><u>FVTPL financial assets:</u></b>					
<b>2020</b>					
Quoted unit trust funds in Malaysia	31 December 2020	367,516	-	-	367,516
Unquoted debt securities in Malaysia	31 December 2020	-	210,400	-	210,400
		<u>367,516</u>	<u>210,400</u>	<u>-</u>	<u>577,916</u>
<b>2019</b>					
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
		<u>312,020</u>	<u>274,845</u>	<u>-</u>	<u>586,865</u>

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**36. Fair values hierarchy (cont'd.)**

Company	Date of valuation	----- Valuation techniques using -----			Total RM'000
		Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	
Assets measured at fair value:					
<u>FVTPL financial assets:</u>					
2020					
Quoted collective investment schemes in Malaysia	31 December 2020	108,691	-	-	108,691
Quoted unit trust funds in Malaysia	31 December 2020	367,516	-	-	367,516
Unquoted debt securities in Malaysia	31 December 2020	-	10,561	-	10,561
		476,207	10,561	-	486,768
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

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**37. Updates to legal case**

**MyCC's Proposed Decision against PIAM and its 22 members**

On 22 February 2017, the Company, Tune Insurance Malaysia Berhad ("TIMB") received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed decision which found that TIMB and 21 other general insurance companies in Malaysia who are all members of the General Insurance Association of Malaysia ("PIAM") had infringed one of the prohibitions under the Competition 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 minimum agreed labour rates payable by the insurers to the PIAM Approved Repairer's Scheme workshops. These rates were subsequently approved and adopted by PIAM members including TIMB.

Subsequent to MyCC's issuance of its proposed decision, PIAM and its 22 members, including TIMB, were given the opportunity to make written representations in their defence and TIMB had on 5 April 2017 filed in its written representations with MyCC. TIMB's oral representations were presented before the MyCC on 29 January 2018.

Following the appointment of a new Chairman of MyCC, a fresh hearing was held with the last of the parties' submissions having been made on 18 June 2019.

Subsequently, TIMB had received a notice dated 25 September 2020 from MyCC informing TIMB of its decision dated 14 September 2020 wherein they have found that TIMB and 21 other members of PIAM had infringed Section 4 of the CA ("Decision").

The MyCC in its Decision had imposed a financial penalty of RM2,571,078 only on the part of TIMB and a consolidated amount of RM130,241,475 on all 22 members of PIAM, net of a 25% reduction granted on the final penalties after taking into consideration the economic impact arising from the Covid-19 pandemic. The MyCC had also granted the parties a moratorium period of six months up to 24 March 2021 to pay the financial penalty imposed. The MyCC had also allowed the parties, including TIMB, to pay the financial penalty imposed by way of up to six equal monthly instalments.

The MyCC had also directed TIMB to cease implementing the agreed parts trade discount and the hourly labour rates previously agreed upon with the workshops with immediate effect. All future parts trade discount rates and future hourly labour rates with the workshops would be negotiated independently.

TIMB in consultation with its legal counsel, is of the view that TIMB has not infringed Section 4 of the CA and has taken all necessary and appropriate actions to defend its position. Accordingly, as at the date of the financial statements, the Company has not made any provision, and has continued to disclose the matter as an on-going litigation until further development.

TIMB had filed its Notice of Appeal with the CAT pursuant to Section 51 of the CA; and had filed an application for a stay of the financial penalty with the CAT pursuant to Section 53 of the CA on 13 October 2020 and 14 October 2020 respectively.

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**37. Updates to legal case**

**MyCC's Proposed Decision against PIAM and its 22 members (cont'd.)**

TIMB's application for a stay of the financial penalty was heard before the CAT on 25 February 2021 and the matter is fixed for continued hearing on 12 March 2021. The case management for the appeal proper will be fixed after the stay application of all the appellants are disposed of.

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

**38. Significant event**

In March 2020, the World Health Organisation ("WHO") declared the outbreak of the Corona Virus Disease 2019 ("Covid-19") as a pandemic which continued to spread globally. The outbreak of Covid-19 has disrupted the global economies for most part of the year and resulted in various restrictions introduced on physical movements and operations of non-essential services in the country.

The Group and the Company was not spared from such measures and had taken various steps to monitor and prevent the spread of the Covid-19 within the Group, primarily through "work from home" arrangement for the employees.

The Group and the Company recorded lower gross written premiums from motor and travel businesses during the year due to the introduction of movement controls in the country. This has been cushioned by the improved claims performance and consequently to the valuation of insurance contract liabilities. At this juncture, it is not possible to estimate the full impact of the outbreak on the performance of the Group and the Company or the government's varying efforts to combat the outbreak and support businesses. Having said that, the Company will continue to monitor the situation of the outbreak and its financial impact to the Group and the Company, if any.

The Group and the Company is of the view that the pandemic will not fundamentally impact the going concern of its business operations and that it continues to remain resilient to weather through the current pandemic. Accordingly, the Group's financial statements for the financial year ended 31 December 2020 have been prepared based a on going concern basis. This is further supported by the healthy levels of solvency and liquidity to sustain both the operational and financial requirements of the Group and the Company, amidst the current pandemic situation.

The management of the Group and the Company is of the view that there were no other matters, other than those described above, arising from the on-going pandemic that would have a significant impact on the carrying values of the Group's and the Company's assets and liabilities as at 31 December 2020.