Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2020

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2020.

Principal activities

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of these activities during the financial year.

Results

	RM '000
Profit for the year attributable to shareholders of the Company	74,579

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year under review.

Dividend

Since the end of the previous financial year, the Company has paid a final ordinary dividend of approximately 34.97 sen per ordinary share which is 30% of net profit after tax totalling RM17,834,495 in respect of the year ended 31 December 2019 on 4 August 2020.

The final dividend for the financial year ended 31 December 2020 shall be recommended at a later date.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Mr. Lau Yew Kong
Mr. Toi See Jong
Mr. Low Shih Nin
Y. Bhg. Dato' Muthanna Abdullah
Mr. Chee Siew Eng
En Ahmad Subri bin Abdullah
Y. Bhg. Dato Koh Yaw Hui

None of the Directors holding office at 31 December 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 25 to the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The Directors and Senior Management of the Company are covered under the Company's Directors and Officers Liability Insurance. The particulars of the insurance effected are as follows:

	Premium Paid RM'000	Sum Insured RM'000
Directors and Officers Liability Insurance	22	5,000

Corporate governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under the Corporate Governance policy document ("CG PD") issued by Bank Negara Malaysia ("BNM") on 3 August 2016.

Company No. 199701002371 (417867-K)

Corporate governance (continued)

Board, Audit, Risk Management, Nomination & Remuneration and Investment Committees

i. Membership and meetings of the Board Committees

Director	Board	Audit	Risk Management	Nomination & Remuneration	Investment
	<--------------- *(Attendance / Number of Meetings)*				------------------>
Mr. Lau Yew Kong *(Independent Non-Executive Director)*	Chairman (8/8)	Member (3/3)	Member (4/4)	Member (7/7)	Member (2/2)
Mr. Toi See Jong *(Non-Independent Non-Executive Director)*	Member (8/8)	Member (3/3)	Member (4/4)	-	Chairman (2/2)
Y. Bhg. Dato Koh Yaw Hui *(Non-Independent Non-Executive Director)*	Member (8/8)	-	-	Member (7/7)	-
Mr. Low Shih Nin *(Non-Independent Non-Executive Director)*	Member (8/8)	Member (3/3)	Member (4/4)	Member (7/7)	-
Y. Bhg. Dato' Muthanna Abdullah *(Independent Non-Executive Director)*	Member (8/8)	Member (3/3)	Member (4/4)	Chairman (7/7)	-
Mr. Chee Siew Eng *(Independent Non-Executive Director)*	Member (8/8)	Member (3/3)	Chairman (4/4)	Member (7/7)	-
En. Ahmad Subri bin Abdullah *(Independent Non-*Executive Director)	Member (8/8)	Chairman (3/3)	-	-	Member (2/2)

Corporate governance (continued)

Board, Audit, Risk Management, Nomination & Remuneration and Investment Committees (continued)

i. Membership and meetings of the Board Committees (continued)

The tenure limit of the Company's independent directors follows the tenure limits as provided by the CG PD which expects tenure limits of independent directors to generally not exceed 9 years.

ii. Profile of Directors

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

MR. LAU YEW KONG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lau Yew Kong was appointed to the Board of the Company on 20 March 2014 and is currently the Chairman of the Board.

Mr. Lau is a qualified chartered accountant with more than 30 years of experience in the investment and stockbroking industry where he had held various senior positions such as Senior Director of Equities at Kenanga Investment Bank Berhad (KIBB), Chief Executive Officer at CIMB Futures, Chief Executive Officer at Southern Bank Securities and Chief Executive Officer and Chief Investment Officer at Pheim Asset Management Sdn Bhd. Mr. Lau retired from full-time employment in March 2017.

Mr. Lau has taught Accounting and Finance on a part-time basis at the post graduate level at INCEIF for several years. Mr. Lau currently spends his time travelling to Australia as a sessional lecturer at Latrobe Business School, La Trobe University, Melbourne, Australia.

Mr. Lau holds a Bachelor of Commerce (Hons.) degree and an MBA degree from Australia. He is also a Fellow of The Institute of Chartered Accountants in Australia. He was conferred a PhD degree in Finance from La Trobe University in 2019.

Corporate governance (continued)

ii. Profile of Directors (continued)

MR. TOI SEE JONG
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Toi See Jong was appointed to the Board of the Company on 4 September 2013.

Mr. Toi is a business leader with more than 28 years of insurance industry and consultancy experience in leading and managing organizations in various stages of its developments and in many different countries.

He is currently Chief Executive Officer of Tokio Marine Life, where he was appointed in September 2011. He was previously elected as the Regional Director of Prudential Corporation Asia in April 2010 where he was responsible for acquiring new Prudential partnerships as well as managing and developing regional bank partnerships in Asia.

During his tenure as the Chief Executive Officer in UOB Life beginning in July 2008, Mr. Toi successfully formulated a 3-year strategic business plan to develop its bancassurance opportunity with UOB bank. Prior to that, he was a Life Division General Manager of NTUC Income in April 2007, the Country General Manager of Heng An Standard Life in November 2003 and the Chief Executive Officer of Mayban Life in October 1994.

Mr. Toi is a Fellow of the Faculty of Actuaries, Scotland since 1992 and sits on the Board of The Malaysian Insurance Institute (MII), L.I.A.M. Property Sdn. Bhd., L.I.A.M. Holding Sdn. Bhd. and Malaysian Rating Corporation Berhad (MARc).

MR. LOW SHIH NIN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Low Shih Nin was appointed to the Board of the Company on 8 January 2016.

He is currently Senior Vice President, Managing Director – Southeast Asia Markets, Reinsurance Group of America (RGA) Reinsurance Company and leads RGA's strategic growth and development throughout RGA's Southeast Asia region, which encompasses Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam, and Taiwan.

Mr. Low has more than 25 years in the life insurance industry and brings significant depth of knowledge and leadership experience. Before joining RGA in 2011, Shih Nin worked for Nan Shan Life in Taiwan where he held several leadership positions in actuarial, operations, marketing and distribution functions. Prior to joining Nan Shan, he served in actuarial and management roles for AIA Group Limited, both in Malaysia and in the Hong Kong home office.

Mr. Low received his Bachelor of Economics degree with a major in Actuarial Studies from Macquarie University, Sydney, Australia. He is a Fellow of the Society of Actuaries (FSA), a Fellow of the Actuarial Institute of the Republic of China (FAIRC), and a Member of the American Academy of Actuaries (MAAA).

Corporate governance (continued)

ii. Profile of Directors (continued)

Y. BHG. DATO' MUTHANNA ABDULLAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Muthanna Abdullah was appointed to the Board of the Company on 18 July 2016 and is currently the Chairman of Nomination & Remuneration Committee.

Dato' Muthanna is a Consultant of Abdullah Chan & Co. He led the Aviation and Aerospace practice and has acted for numerous clients on their acquisition, financing and operation of corporate/private jets and helicopters. He also advises clients on private and family ownership structures which are tailored to each client's particular usage, tax profile and risk management. He has more than 30 years of experience in law practice, having advised commercial companies, public listed companies and state governments and agencies, privatizations, joint-ventures, corporate structures, offshore investments, and mergers and acquisitions.

Dato' Muthanna graduated from the University of Buckingham, England, and is a Barrister of the Middle Temple, England. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1984.

Dato' Muthanna is the Honorary Consul at Kuala Lumpur of the Republic of San Marino. Dato' Muthanna sits on the Board of Directors of KPJ Healthcare Bhd, Sapura Resources Bhd, Malaysian Rating Corporation Berhad, British Malaysian Chamber of Commerce Bhd, Malaysia Aerospace Industry Association and several private companies. He is also member of the Board of Trustees of Yayasan Siti Sapura.

MR. CHEE SIEW ENG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chee Siew Eng was appointed to the Board of the Company on 20 April 2012.

He joined Bank Negara Malaysia (BNM) in 1998 as a Senior Executive and was the Deputy Director of the Insurance Regulation Department in BNM prior to his retirement in 2008.

Mr. Chee 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 which was enacted under the Malaysia Deposit Insurance Corporation Act 2010.

Having 30 years of experience as a regulator of the insurance industry, Mr. Chee was involved in formulating many guidelines, rules and regulations to foster the growth and development of the insurance industry.

Mr. Chee is an Associate member of the Malaysian Insurance Institute (MII) as well as the Chartered Insurance Institute, UK (ACII). He sits on the Board of Tune Insurance Malaysia Bhd.

Corporate governance (continued)

ii. Profile of Directors (continued)

EN. AHMAD SUBRI ABDULLAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

En. Ahmad Subri bin Abdullah was appointed to the Board of the Company on 10 November 2017 and is currently the Chairman of Audit Committee.

En. Subri brings with him over 30 years of experience in the financial services industry, almost 20 years as Chief Executive Officer of various insurance companies such as Amanah Insurance Berhad, Malaysia Cooperative Insurance Society Berhad, Mayban Life Assurance Berhad and Malaysia National Insurance Berhad. He had also served as Chairman of the General Insurance Association of Malaysia and Chairman of the Insurance Mediation Bureau of Malaysia.

En. Subri qualified as a Fellow of the Chartered Insurance Institute, United Kingdom and is a Fellow of the Malaysian Insurance Institute. Prior to his return to Malaysia in 1980, he was trained and worked in London for more than 7 years. Currently, En. Subri sits on the Board of a number of private and public companies in Malaysia and Singapore.

Y. BHG. DATO KOH YAW HUI
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato Koh Yaw Hui was appointed to the Board of the Company on 1 January 2020.

He is the Chief Executive Officer in Great Eastern Life Assurance (Malaysia) Berhad since January 2008. He has over 15 years of insurance experience and is responsible for the overall strategic direction and business growth of the company.

Dato Koh presently sits on the Board of several companies including L.I.A.M Holding Sdn Bhd and L.I.A.M Property Sdn Bhd.

Dato Koh holds a Bachelor of Social Science (Hons) in Economics from Universiti Sains Malaysia. He is a Fellow of Life Management Institute, USA and a Registered Financial Planner.

Corporate governance (continued)

iii. Responsibilities of the Board

The Board has the overall responsibility of promoting the sustainable growth and financial soundness of the Company, and 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 Company and its clients, employees and the community. In fulfilling this role, the board must:

(i) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile. This would include initiatives which affect the financial soundness, reputation or key operational controls of the Company.

(ii) oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company.

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

(iv) promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior.

(v) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies.

(vi) 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.

(vii) promote timely and effective communication between the financial institution and the BNM on matters affecting or that may affect the safety and soundness of the Company.

iv. Responsibilities of the Board Committees

The duties and responsibilities of the Board Committees are as follows:

Audit Committee

(i) To review and report on the adequacy of the scope, functions and resources of the internal audit function and whether it has the necessary authority to carry out its work.

(ii) To review the results of the internal and external audits conducted and the adequacy of actions taken by management on the recommendations of these audit reports.

Corporate governance (continued)

iv. Responsibilities of the Board Committees (continued)

Audit Committee (continued)

(iii) To review with the external auditors the audit plan, scope of the audit and the audit findings of the Company.

(iv) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval.

(v) To review the adequacy and effectiveness of internal control systems instituted within the Company.

(vi) To review any related party transactions that may arise within the Company.

(vii) To oversee the overall implementation of the Company's approved policies and procedures and review management's periodic review of them for continued effectiveness.

(viii) To perform any other functions as may be agreed by the Audit Committee and the Board of Directors.

Risk Management Committee

(i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.

(ii) To review and assess 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.

(iii) To oversee and ascertain that there are adequate infrastructure, resources and systems in place for an effective risk management and that the personnel responsible for implementing the Company's risk management systems perform those duties independently of the Company's risk taking activities.

(iv) To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

(v) To review and assess the risk capital profiles to ensure adequacy of capital available in the insurance and shareholders' equity to support the total capital required as specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

(vi) To ensure that the investments of insurance funds are in accordance with the approved investment and risk management policy of the Board.

(vii) To perform any other functions in relation to risk management as may be agreed by the Risk Management Committee and the Board of Directors.

Corporate governance (continued)

iv. Responsibilities of the Board Committees (continued)

Nomination and Remuneration Committee

(i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.

(ii) To recommend and assess the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to Bank Negara Malaysia.

(iii) To establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.

(iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.

(v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.

(vi) To oversee appointment, management succession planning and performance evaluation of key Senior Officers, and recommend to the Board on the removal of key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities.

(vii) To recommend a framework of remuneration for Directors, Chief Executive Officer and key Senior Officers.

(viii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key Senior Officers.

Investment Committee

(i) To recommend and oversee implementation of policies, guidelines and controls for the investment activities of the Company.

(ii) To monitor the performance of the company's investments including the performance of external fund managers.

(iii) To review and report to the Board on a regular basis the investment portfolio to ensure compliance with BNM's guidelines on investment.

(iv) To review and recommend to the Board major investment proposals.

Corporate governance (continued)

v. Remuneration framework

Remuneration policy

The remuneration policy for employees of the Company enables the furtherance of the Company's vision and mission by aligning employee performances with the Company's short and long term goals. Employee remunerations are supported by a robust performance management system underpinned by the fundamentals of sound risk management, ethics and corporate responsibility. Components within the remuneration structure consist of mandatory elements with the flexibility for combinations of fixed and variable components to ensure effective alignment to the Company's objectives and relevance to the industry in which it operates.

The Company's remuneration policy applies to all employees in the Company and revolves around key principles as follows:-

Business oriented

Remunerations are relevant and aligned to the achievement of the Company's business results. Remunerations are designed in a way that drives employees' diligence, dedication and competency level towards successful implementation of the Company's goals and strategies while avoiding any conflict of interests.

Prudent

The remuneration structure and quantum reinforces sustainable, ethical and sound risk management behaviors, as opposed to a short-term view without consideration of long term consequences.

Adequate information

Performance assessors must have adequate quantitative and qualitative measurements of an employee's performance before any recommendation on remuneration is made. The assessments upon which remunerations are recommended must be practicable, measurable and objective.

Fair

Remuneration packages must take the Company's business, its financial position, market condition and individual merits into consideration. There must be no discrimination, biased treatment or any form of exploitation in regards to the remuneration packages.

Transparent

There must be clear and timely communication of remuneration linked to the specified job requirements. Employees should be clear on the expectations of their job and seek clarification where necessary.

Corporate governance (continued)

v. Remuneration framework (continued)

Remuneration structure

The Company's remuneration structure rewards employees whose job performance and behavior support the objectives of the Company's business. A performance appraisal system is in place to gauge these performances and behaviors. The system incorporates key performance indicators aligned to the employee's job function. Instances of non-compliance with risk procedures and expected behaviors would be taken into account when appraising an employee's performance. If performance criterias are not met, salary increments and/or variable remuneration will be reduced accordingly.

The remuneration package is based on the job scope and the responsibility of each employee.

The Company's existing remuneration structure comprises salary (fixed), benefits (fixed), performance bonus (variable) and incentives (variable).

Salary

All employees in the Company receive a fixed base salary paid monthly according to position and function. The salary level is evaluated annually with no secured or contractual increment. Increment rates are granted based on performance scoring and position levels. These rates are determined by the Board of Directors taking into consideration the Company's performance, market and industry conditions.

Base salaries for entry level candidates are predetermined and reviewed as and when necessary to remain competitive. Base salaries for experienced candidates are guided by the Company's internal salary scale whilst taking into account the industry's employment market condition.

Acting Allowance

An employee on acting appointment is to be paid an allowance equivalent to the amount received by the employee if promoted to the higher level.

Special Allowance

Where a special allowance is attached to an appointment, this allowance shall be payable to the employee who holds the post while he/she is actually performing the duties of that post.

Benefits

The main purpose of compensation and benefits is to ease employees' burdens as they work for the Company. Key and senior level positions are offered benefits and compensations in order to mitigate key man risks and encourage employee retention. The Company's benefits programme is reviewed as and when the need arises.

Corporate governance (continued)

v. Remuneration framework (continued)

Performance Bonus

The Company uses variable cash remuneration in the form of performance bonuses to incentivise and reward high performance employees. The quantum of bonuses granted for the year depend on the performance of the Company's financial and non-financial targets and the employee's performance appraisal.

The bonus pool is determined by the Company's performance goals weightage criteria set in accordance with the Company's Performance Management Framework. The control function employees shall be awarded based on the result of their individual appraisal. Their role and responsibilities are to ensure they perform as required by the regulators and that they are not directly involved in the daily business operations so as to maintain their independence and do not put themselves in a position of conflict of interest. Performance bonuses are payable at the discretion of the Company.

Incentives

The Company has in place deferred variable cash incentives awarded to key and senior level positions. The incentives serve to reduce key man risk, encourage employee retention and align employee actions to the Company's objectives. The quantum of these incentives depend on the performance of the Company's financial and non-financial targets and the meeting of employees' key performance objectives.

The plan will be awarded annually but only paid at the end of the 3rd year after the performance year. The deferred variable cash incentives are payable at the discretion of the Company.

Buyout

Where there is a need of a specific skill or urgency that requires replacement of a leaving employee, the Company may pay the other company on behalf of the employee his/her notice period so that the employee is able to join at the earliest.

Senior management and other material risk takers

Senior management, as defined by BNM in their CG PD refers to the CEO and senior officers. It comprises employees in the following roles:

i) Chief Executive Officer (1)
ii) Head of Departments (10)

Corporate governance (continued)

v. Remuneration framework (continued)

Senior management and other material risk takers (continued)

Other material risk takers are defined as employees who are not members of the senior management and:-

i) can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or
ii) are among the most highly remunerated officers in the Company.

There were 4 other material risk takers in the Company as at the date of this report.

Total Value of Remuneration Awards for the financial year	Unrestricted	Deferred		No. of Staff
		Total*	Outstanding**	
Fixed Remuneration				
- Cash-based	3,893,865	Nil	Nil	17
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	2
Variable Remuneration				
- Cash-based	943,789	363,949	564,447	17
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	Nil

* Total Deferred Remuneration refers to the total deferred remuneration paid during the financial year.

** Outstanding Deferred Remuneration refers to the amount already vested and payable on the payment due.

Staff were not exposed to actual derived information of Implicit Adjustments (such as fluctuations in the value of any shares or performance units) and Explicit Adjustments (such as malus, clawbacks or similar reversals or downward revaluations of awards) due to Deferred and Retained Remuneration in the current financial year.

Malus / Clawback

Variable remuneration may be subject to a downgrade adjustment to reflect exposure to current and future risks after taking into account the relevant risk profile.

In addition, the Company also reserves the right to demand full or partial repayment of variable remuneration granted, from the employee, in the event of special unfavourable circumstance, e.g. willful misconduct or gross negligent.

Corporate governance (continued)

vi. Internal Control Framework

The Compliance and Risk ("CR") Department is established with the responsibility to manage the Company's Risk and Compliance functions.

The CR Department identifies and communicates to the Risk Management Committee ("RMC") critical risks in terms of exposures and impact on the Company's business and management action plans to manage these risks on an on-going basis. Risks are actively identified, assessed and monitored by the CR Department. Heads of departments, who are specialized and experienced in their respective business areas remain available to provide advice to the CR Department on key risks relevant to their respective operations.

The CR Department ensures that the Company complies with all legal and regulatory requirements applicable to the Company's business activities. The Heads of departments hold the primary responsibility to manage risks in their respective business areas.

A Compliance framework is in place to facilitate the reporting and monitoring of non-compliance events in the Company. A risk framework is also in place which facilitates the management and monitoring of the Company's risks including an Internal Capital Adequacy Assessment Process ("ICAAP") framework which complies with guidelines issued by BNM. The frameworks are reviewed annually.

The Internal Audit ("IA") reviews the Company's compliance programme as well as the effectiveness of the internal control systems. The findings of internal audit are tabled at the Audit Committee ("AC") meetings for deliberation and the AC's expectation on the corrective measures are communicated to the respective Heads of departments. The annual Internal Audit Plan is reviewed by the AC and thereafter recommended to the Board for approval.

Other key elements of the internal control framework

Updates of regulatory guidelines and circulars are circulated to the Chief Executive Officer and Heads of departments for information and to address any gap in operational policies and procedures.

Policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the form of operation manuals and circulars. The manuals are updated as and when necessary.

Operational authority limits as prescribed in the Company's policies and procedures are imposed on Management in respect of key operations covering areas such as pricing, underwriting, claims, premium checking, investments, expenses, payments, acquisition and disposal of assets.

Retrocessions where appropriate are undertaken to ensure that the Company's claim risks are sufficiently diversified and mitigated.

Corporate governance (continued)

vi. Internal Control Framework (continued)

Other key elements of the internal control framework (continued)

Management submits annually a business plan and budget for approval by the Board. The Board reviews quarterly management accounts, which are measured against budgets and the previous year's results to gauge performance.

Risk management reports that highlight the status of identified core risk profiles and any other risk matters are submitted to the RMC and the Board quarterly.

Stress tests are performed on the Company's financial position which commensurate with its risk profile and the business environment. The stress test, under the Financial Condition Report ("FCR"), is used as a risk management tool to identify potential threats to the Company's financial health from exceptional but plausible adverse events and to determine as well as assess its impact on the Company's Individual Target Capital Level. The FCR is deliberated at the Board for approval before submission to BNM.

A Data Management and Management Information System ("MIS") Framework is formulated in line with the Guidelines on Data Management and MIS Framework issued by BNM. Maintenance of data is performed and reviewed by Heads of departments.

The Investment Committee is responsible for formulating policies, strategies as well as reviewing matters relating to the Company's investment of surplus funds.

The Business Continuity Plan ("BCP") is managed by the CR Department. The BCP is to ensure that the Company suffers minimum interruption to its systems, processes or operations in the event of a disaster. The BCP manual is reviewed at least once a year while the plan is tested twice a year to ensure its relevance. BCP testings are observed by the IA who provides an independent evaluation of the testing preparation and to highlight any deficiencies noted during the testings. A written assessment report is prepared by the IA for the Audit Committee's review and the Board's approval before submission to BNM as required under the Guidelines on Business Continuity Management (Revised).

Training and development programmes are conducted to enhance staff competencies and to instill among the team a risk management and compliance conscious culture.

There are procedures for hiring and termination of staff. Annual performance appraisals are in place to assess performance and as a basis for staff remuneration awards and career development within the Company.

Issue of shares and debentures

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

There was no debenture issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers,

ii) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

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

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount of the provision for insurance liabilities inadequate to any substantial extent, or

ii) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

iii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iv) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

v) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

Other statutory information (continued)

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

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia which holds 70% of the Company's share capital. Its principal activity is that of investment holding.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is RM215,000 for the financial year ended 31 December 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Ahmad Subri bin Abdullah

....

Toi See Jong

Kuala Lumpur,

Date: 19 March 2021

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2020

	Note	2020 RM '000	2019 RM '000
Assets			
Plant and equipment	4	1,156	641
Intangible assets	5	3,629	1,768
Right-of-use assets	6	975	539
Investments	7	714,715	622,898
- Held-to-maturity investments		22,509	23,019
- Available-for-sale investments		692,206	599,879
Reinsurance assets	8	204,995	212,632
Insurance receivables	9	236,951	218,759
Loans and receivables, excluding insurance receivables	10	1,497	1,277
Tax recoverable		4,843	9,758
Cash and cash equivalents	11	105	5,950
Total assets		1,168,866	1,074,222
Equity and liabilities			
Share capital	12	51,000	51,000
Reserves		387,658	325,018
Total equity		438,658	376,018
Insurance contract liabilities	13	605,844	576,349
Deferred tax liabilities	14	463	307
Insurance payables	15	103,788	105,179
Lease liabilities	16	1,013	551
Other payables	17	19,100	15,818
Total liabilities		730,208	698,204
Total equity and liabilities		1,168,866	1,074,222

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Note	2020 RM '000	2019 RM '000
Operating revenue	18	585,655	561,779
Gross reinsurance premiums	18	561,898	540,389
Premiums ceded to retrocessionaires		(212,188)	(192,942)
Net reinsurance premiums		349,710	347,447
Change in actuarial liabilities		(29,276)	(75,490)
Investment income - net	19	23,757	21,390
Realised gains	20	355	186
Fees and commission income	21	1	1
Other operating income - net	22	1,968	42
Other income		26,081	21,619
Net claims incurred	23	(221,464)	(192,447)
Commission expense	21	(17,315)	(12,250)
Management expenses	24	(28,524)	(25,904)
Other expenses		(45,839)	(38,154)
Profit before tax		79,212	62,975
Tax expense	26	(4,633)	(3,527)
Profit for the year		74,579	59,448
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale assets	27	5,895	8,143
Total other comprehensive income for the year net of tax		5,895	8,143
Total comprehensive income for the year		80,474	67,591

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2020

	<--- Non -Distributable --->		*Distributable*	
	Share capital RM '000	**Fair value reserve RM '000**	**Retained profits RM '000**	**Total equity RM '000**
At 1 January 2019	51,000	2,067	267,731	320,798
Fair value of available-for-sale assets	-	8,143	-	8,143
Profit for the year	-	-	59,448	59,448
Total comprehensive income for the year	-	8,143	59,448	67,591
Dividends paid during the year (Note 28)	-	-	(12,371)	(12,371)
At 31 December 2019/ 1 January 2020	51,000	10,210	314,808	376,018
Fair value of available-for-sale assets	-	5,895	-	5,895
Profit for the year	-	-	74,579	74,579
Total comprehensive income for the year	-	5,895	74,579	80,474
Dividends paid during the year (Note 28)	-	-	(17,834)	(17,834)
At 31 December 2020	51,000	16,105	371,553	438,658
	Note 12			

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2020

	2020 RM '000	2019 RM '000
Cash flow from operating activities		
Profit before tax	79,212	62,975
Investment income	(23,757)	(21,390)
Realised (gains) recorded in profit or loss	(355)	(186)
Purchase of available-for-sale assets	(191,364)	(191,084)
Proceeds from maturity and buy-back of held-to-maturity investments	500	600
Proceeds from maturity and disposal of available-for-sale assets	128,517	77,270
Interest on lease liabilities	95	65
Adjustments for:		
Depreciation of plant and equipment	421	378
Amortisation of intangible assets	74	20
Depreciation of right-of-use assets	848	811
Loss on disposal of plant and equipment	-	25
Plant and equipment written off	-	1
Operating loss before changes in working capital	(5,809)	(70,515)
Decrease/(Increase) in reinsurance assets	7,637	(69,409)
Increase in insurance receivables	(18,192)	(43,483)
Increase in loans and other receivables	(227)	(190)
Increase in insurance contract liabilities	29,495	140,047
(Decrease)/Increase in insurance payables	(1,391)	69,340
Increase in other payables	3,282	4,240
Cash generated from operations	14,795	30,030

Statement of cash flows for the year ended 31 December 2020 (continued)

	2020 RM '000	2019 RM '000
Cash generated from operations	14,795	30,030
Net investment income received	1,054	1,099
Interest on lease liabilities	(95)	(65)
Tax refund	4,828	213
Tax paid	(4,901)	(10,141)
Net cash generated from operating activities	15,681	21,136
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	-	66
Purchase of plant and equipment	(936)	(349)
Purchase of intangible assets	(1,935)	(1,788)
Net cash used in investing activities	(2,871)	(2,071)
Cash flows from financing activities		
Dividends paid to shareholders	(17,834)	(12,371)
Payment of lease liabilities	(821)	(799)
Net cash used in financing activities	(18,655)	(13,170)
Net (decrease)/increase in cash and cash equivalents	(5,845)	5,895
Cash and cash equivalents at 1 January	5,950	55
Cash and cash equivalents at 31 December (Note 11)	105	5,950

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information and principal activities

Malaysian Life Reinsurance Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia.

The number of employees of the Company as at the end of the financial year was 85 (2019: 73).

The address of the registered office and principal place of business of the Company is as follows:

Registered office and principal place of business

Unit 39-A-6
Level 39, Tower A
Menara UOA Bangsar
No.5 Jalan Bangsar Utama 1
59000 Kuala Lumpur

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of this activity during the financial year.

The immediate and ultimate holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 19 March 2021.

2. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

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

The Company has elected to early adopt the Amendment to MFRS16, *Leases – COVID-19 Related Rent Concessions* and applies the practical expedient to the rent concessions granted to the Company. Consequently, rent concessions received have been recognised in profit or loss.

The Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 3 and MFRS 141 which are not applicable to the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards, interpretations or amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The amendments to MFRS 4, *Insurance Contracts* allows two alternatives to address the transitional challenges from different effective dates of MFRS 9 and the proposed new standard on insurance contracts, MFRS 17, *Insurance Contracts*. The amendment introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts.

The overlay approach involves the option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance contracts until the earlier of the effective date of the proposed new standard on insurance contracts and the annual reporting periods beginning on or after 1 January 2023.

The Company has elected to apply the temporary exemption from MFRS 9 that permits, but does not require, the Company to apply MFRS 139, *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for its annual periods beginning before 1 January 2023. An insurer may apply the temporary exemption from MFRS 9 if:

(i) it has not previously applied any version of MFRS 9 before; and
(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The Company has not adopted any version of MFRS 9 as of the date of this financial statements and its carrying amount of an entity's liabilities arising from contracts within MFRS 4's scope is significant. The Company has performed the assessment and it qualifies for the temporary exemption from MFRS 9 under the Amendments to MFRS 4. The percentage of the total carrying amount of an entity's liabilities connected with insurance relative to the total carrying amount of its liabilities is above 90%.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

Based on the initial assessment undertaken by the Company, the following are the designation and valuation of the financial assets if MFRS 9 was adopted at the end of the reporting period. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change.

The fair value information of the Company's financial assets as of 31 December 2020 with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis are shown in the table below, together with all other financial assets.

Financial assets on the Company's statement of financial position	New classification under MFRS 9	Fair value as at 31.12.2020 RM'000	Fair value as at 31.12.2019 RM'000	Changes in fair value during the year RM'000
Financial assets that pass the SPPI test:				
Held-to-maturity investments				
Malaysian Government Guaranteed Securities	Amortised Cost	24,089	23,960	-
Other receivables	Amortised Cost	988	978	-
Cash and cash equivalents	Amortised Cost	105	5,950	-
All other financial assets:				
Available-for-sale investments				
Fixed Income CIS*	FVOCI#	531,819	458,063	6,444
Cash Management CIS*	FVOCI#	160,387	141,816	(37)
Total financial assets		717,388	630,767	6,407

*CIS is abbreviation for Collective Investment Schemes
#FVOCI is abbreviation for Fair Value Through Other Comprehensive Income

MFRS 17, *Insurance Contracts*

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts*.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

The Company is almost completing the designing stage and has initiated the transition workings.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than disclosed in Note 3(e)(ii).

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 3 (k)(i) – Premium liabilities
Note 3 (k)(ii) – Claims liabilities

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

The Company has early adopted *COVID-19-Related Rent Concessions – Amendment to MFRS 16* issued on 5 June 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

3. Significant accounting policies (continued)

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Motor vehicles	5 years
Office equipment	5 years
Furniture, fixtures and fittings	5 years
Computers	3 years
Renovation	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period, and adjusted as appropriate.

(c) Intangible assets

(i) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in use the specific software.

Expenditure incurred on software development is capitalised only if the future economic benefits are probable and the expenditure is directly associated with the production of identifiable and unique software systems controlled by the Company. Direct costs include the software development costs and appropriate portion of relevant overheads to prepare the asset for its intended use.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Amortisation

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful life for the current and comparative periods is as follows:

- software 10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(d) Leases

(i) Definition of lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets of less than RM20,000. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

COVID-19-related rent concessions

The Company has applied *COVID-19-Related Rent Concessions – Amendment to MFRS 16*. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

(b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant accounting policies (continued)

(d) Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

(b) As a lessor

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(e) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity, debt securities and unit trust funds, that are not held for trading.

Financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(c) Held-to-maturity investments

Held-to-maturity investments category comprises debts instruments that are quoted in an active market and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity are subsequently measured at amortised cost using the effective interest method.

(d) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions).

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(d) Loans and receivables, excluding insurance receivables (continued)

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(e) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for those financial assets. These processes are described in Note 3(g)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3(e)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(g)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Company in the management of its short term commitment.

3. Significant accounting policies (continued)

(g) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 3(g)(ii) below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the insurance receivables is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(iii) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(iii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Product classification

The Company issues contracts that transfer insurance risk.

Reinsurance contracts are those contracts that transfer significant insurance risk. A reinsurance contract is a contract under which the Company (the reinsurer) has accepted significant insurance risk from another party (the cedant) by agreeing to compensate the cedant if a specified uncertain future event (the insured event) adversely affects the cedant. Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits.

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

(i) Reinsurance

The Company retrocedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from retrocessionaires. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retrocessionaire's policies and are in accordance with the related retrocession contracts.

Retroceded reinsurance arrangements do not relieve the Company from its obligations to cedants. Premiums and claims are presented on a gross basis for both retroceded 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 occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retrocessionaire. The impairment loss is recorded in profit or loss.

3. Significant accounting policies (continued)

(j) Reinsurance commission

Reinsurance commission, which are costs directly incurred in securing reinsurance premiums on reinsurance, and income derived from retrocessionaires in the course of ceding of premiums to retrocessionaires, are charged to profit or loss in the period in which they are incurred or deferred where appropriate.

(k) Life reinsurance underwriting results

Any surplus transferable from the Life Fund to profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to cedants. Actuarial valuation reserves comprise premium liabilities and claim liabilities.

(i) Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserve (UPR) for all lines of business and the best estimate value of the Unexpired Risk Reserve (URR) at the required risk margin for adverse deviation.

Unearned Premium Reserve

The UPR represents the portion of the net premium income of a reinsurance contract written that relates to the unexpired periods of the contract at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used. 1/8th method is applied to gross premiums.

Unexpired Risk Reserve

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the reinsurer's expenses, including overheads and cost of retrocession, expected to be incurred during the unexpired period in administering these treaties and settling the relevant claims, and expected future premium refunds.

(ii) Claims liabilities

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

3. Significant accounting policies (continued)

(k) Life reinsurance underwriting results (continued)

(ii) Claims liabilities (continued)

Estimating the outstanding claims provision involves projection of the Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement as well as uncertainties in the projection model and underlying assumptions.

(l) Acquisition costs

The cost of acquiring and renewing reinsurance contracts net of income derived from retroceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income based on the method specified in Note 3(k)(i). Acquisition costs or retroceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

(m) Equity instruments

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

Ordinary shares

Ordinary shares are classified as equity.

(n) Premium income

The Company recognises reinsurance premiums on an accrual basis. Gross premium is reduced by discount on premiums, if any.

(o) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

3. Significant accounting policies (continued)

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or incentive schemes if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long-term incentive plans

A liability is recognised on an undiscounted basis for the amount expected to be paid for the incentive plan if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) State plans

The Company's contributions to the statutory pension funds are charged to profit or loss in the financial year in which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is attributable.

(q) Income tax

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

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

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

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

3. Significant accounting policies (continued)

(q) Income tax (continued)

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

(r) Affiliated company

An affiliated company is defined as one that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

(s) Provisions

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(t) Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

4. Plant and equipment

	Motor vehicles RM '000	Office equipment RM '000	Furniture, fixtures and fittings RM '000	Computers RM '000	Renovation RM '000	Total RM '000
Cost						
At 1 January 2019	638	353	715	889	2,318	4,913
Additions	-	18	21	299	11	349
Disposal	(143)	-	-	-	-	(143)
Written off	-	-	(26)	(4)	-	(30)
At 31 December 2019/ 1 January 2020	495	371	710	1,184	2,329	5,089
Additions	303	23	34	383	193	936
At 31 December 2020	798	394	744	1,567	2,522	6,025
Accumulated depreciation						
At 1 January 2019	440	301	695	529	2,186	4,151
Charge for the year	72	22	14	210	60	378
Disposal	(52)	-	-	-	-	(52)
Written off	-	-	(26)	(3)	-	(29)
At 31 December 2019/ 1 January 2020	460	323	683	736	2,246	4,448
Charge for the year	30	22	14	285	70	421
At 31 December 2020	490	345	697	1,021	2,316	4,869
Carrying amount						
At 1 January 2019	198	52	20	360	132	762
At 31 December 2019	35	48	27	448	83	641
At 31 December 2020	308	49	47	546	206	1,156

4. Plant and equipment (continued)

Included in plant and equipment are the following fully depreciated assets which are still in use:

	2020 RM '000	2019 RM '000
At cost:		
Furniture, fixtures and fittings	683	644
Computers	622	409
Office equipment	277	263
Renovation	2,104	2,036
Motor vehicles	345	345
	4,031	3,697

5. Intangible assets

	Software in use RM '000	Software under development RM '000	Total RM '000
Cost			
At 1 January 2019	-	-	-
Additions	610	1,178	1,788
At 31 December 2019/ 1 January 2020	610	1,178	1,788
Additions	120	1,815	1,935
Reclassification	227	(227)	-
At 31 December 2020	957	2,766	3,723
Amortisation			
At 1 January 2019	-	-	-
Amortisation for the year	20	-	20
At 31 December 2019/ 1 January 2020	20	-	20
Amortisation for the year	74	-	74
At 31 December 2020	94	-	94
Carrying amount			
At 1 January 2019	-	-	-
At 31 December 2019	590	1,178	1,768
At 31 December 2020	863	2,766	3,629

6. Right-of-use assets

The Company leases many assets including office buildings, printing and photostat machines.

	Office buildings RM '000	Printing and photostat machines RM '000	Total RM '000
At 1 January 2019	1,148	127	1,275
Additions	-	75	75
Depreciation charge for the year	(768)	(43)	(811)
At 31 December 2019/1 January 2020	380	159	539
Additions	1,280	4	1,284
Depreciation charge for the year	(792)	(56)	(848)
At 31 December 2020	868	107	975

Extension options

One of the leases of the office building contains extension option exercisable by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension option. The Company reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control.

As of 31 December 2020, the Company has included all potential future cash flows of exercising the extension option in the lease liability.

Judgements and assumptions in relation to leases

The Company assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Rent concessions

The Company negotiated rent concessions with its lessors for some of its building and premises leases as a result of the severe impact of the COVID-19 pandemic during the year. The Company applied the practical expedient under the Amendment to MFRS 16, Leases – COVID-19-Related Rent Concessions consistently to eligible rent concessions relating to its building and premises leases.

6. Right-of-use assets (continued)

Rent concessions (continued)

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Company has applied the practical expedient under the Amendment to MFRS 16, Leases – COVID-19-Related Rent Concessions is RM51,620 (2019: nil).

7. Investments

(a) Held-to-maturity ("HTM") investments

	2020		2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Malaysian Government Guaranteed Securities	22,509	24,089	23,019	23,960

(b) Available-for-sale ("AFS") investments

	2020		2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Unit trusts				
- Fixed Income Collective Investment Schemes	531,819	531,819	458,063	458,063
- Cash Management Collective Investment Schemes	160,387	160,387	141,816	141,816
	692,206	692,206	599,879	599,879

(c) Estimation of fair values

The estimated fair values for Government Guaranteed Securities and unquoted corporate debt securities are based on the indicative market prices obtained from two independent licensed financial institutions at the end of the reporting period.

The following investments mature after 12 months:-

	2020 RM '000	2019 RM '000
Financial assets :-		
Held-to-maturity	22,509	23,019

7. Investments (continued)

(d) Carrying amounts of investments

	HTM RM'000	AFS RM'000	Total RM'000
At 1 January 2019	23,632	456,716	480,348
Addition	-	191,084	191,084
Disposal/Maturity/Repayment	(600)	(77,270)	(77,870)
Distribution income reinvested	-	20,301	20,301
Gains/(Losses) recorded in:			
- profit or loss	(11)	197	186
- other comprehensive income	-	8,851	8,851
Amortisation of premiums	(2)	-	(2)
At 31 December 2019/ 1 January 2020	23,019	599,879	622,898
Addition	-	191,364	191,364
Disposal/Maturity/Repayment	(500)	(128,517)	(129,017)
Distribution income reinvested	-	22,708	22,708
Gains/(Losses) recorded in:			
- profit or loss	(10)	365	355
- other comprehensive income	-	6,407	6,407
At 31 December 2020	22,509	692,206	714,715

8. Reinsurance assets

	Note	2020 RM'000	2019 RM'000
Retrocession of reinsurance contracts:			
Provision for outstanding claims	13.1	68,273	47,853
Actuarial liabilities	13.2	136,722	164,779
		204,995	212,632

9. Insurance receivables

	2020 RM '000	2019 RM '000
Due premiums from cedants	234,482	216,611
Less: Impairment allowance	-	-
	234,482	216,611
Amount due from retrocessionaires	1,522	1,201
Less: Impairment allowance	-	-
	1,522	1,201
Reinsurance deposits	947	947
	236,951	218,759

Included in the amount due from retrocessionaires is RM1,518,701 (2019: RM1,190,848) due from an affiliated company.

10. Loans and receivables, excluding insurance receivables

	2020 RM '000	2019 RM '000
Other receivables	380	389
Deposits	298	272
Prepayments	509	299
Income due and accrued	310	317
	1,497	1,277
Receivable after 12 months	380	380

11. Cash and cash equivalents

	2020 RM '000	2019 RM '000
Cash and bank balances	105	5,650
Short term deposits with licensed banks	-	300
	105	5,950

12. Share capital

	2020		2019	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid	51,000	51,000	51,000	51,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

13. Insurance contract liabilities

	2020			2019		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Provision for outstanding claims	151,385	(68,273)	83,112	123,109	(47,853)	75,256
Actuarial liabilities	454,459	(136,722)	317,737	453,240	(164,779)	288,461
	605,844	(204,995)	400,849	576,349	(212,632)	363,717

13.1 Provision for outstanding claims

	2020			2019		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
At 1 January	123,109	(47,853)	75,256	125,439	(45,331)	80,108
Claims reported for the current accident year	177,696	(58,482)	119,214	134,140	(38,765)	95,375
Reported claims in relation to prior accident years	169,359	(67,109)	102,250	145,450	(48,378)	97,072
Claims paid during the year	(318,779)	105,171	(213,608)	(281,920)	84,621	(197,299)
At 31 December	151,385	(68,273)	83,112	123,109	(47,853)	75,256
		Note 8			Note 8	

13. Insurance contract liabilities (continued)

13.2 Provision for actuarial liabilities

	<----2020	---->		<----2019	---->	
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
At 1 January	453,240	(164,779)	288,461	310,863	(97,892)	212,971
Change in life assurance fund contract liabilities:-						
Due to change of YRT – Health reserving methodology	(3,132)	-	(3,132)	-	-	-
Change in treatment of Estimated Paid Claims	-	-	-	17,068	(3,271)	13,797
Assumption change (YRT Life)	26,705	(5,726)	20,979	1,708	(41)	1,667
Due to movement during the year	41,364	(21,552)	19,812	89,889	(41,002)	48,887
Due to movement and assumption change (SRT)	(63,718)	55,335	(8,383)	15,818	(8,342)	7,476
Set up of IBNR Reserves (SRT & Co- insurance)	-	-	-	17,894	(14,231)	3,663
At 31 December	454,459	(136,722)	317,737	453,240	(164,779)	288,461
		Note 8			Note 8	

14. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Plant and equipment	-	-	(77)	(9)	(77)	(9)
Provisions	1,044	621	-	-	1,044	621
Fair value of available-for-sale assets	-	-	(1,438)	(926)	(1,438)	(926)
Other items	8	7	-	-	8	7
Net deferred tax assets/(liabilities)	1,052	628	(1,515)	(935)	(463)	(307)

14. Deferred tax liabilities (continued)

Movement in temporary differences during the financial year

2020	At 1 January 2020 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income (Note 27) RM'000	At 31 December 2020 RM'000
Property and equipment				
- capital allowances	(9)	(68)	-	(77)
Provisions	621	423	-	1,044
Fair value of available-for-sale assets	(926)	-	(512)	(1,438)
Other items	7	1	-	8
	(307)	356	(512)	(463)

2019	At 1 January 2019 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income (Note 27) RM'000	At 31 December 2019 RM'000
Property and equipment				
- capital allowances	26	(35)	-	(9)
Provisions	750	(129)	-	621
Fair value of available-for-sale assets	(653)	435	(708)	(926)
Other items	21	(14)	-	7
	144	257	(708)	(307)

Deferred tax liabilities and assets are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxation authority.

15. Insurance payables

	2020 RM'000	2019 RM'000
Amount due to cedants	12,392	4,381
Amount due to retrocessionaires	91,396	100,798
	103,788	105,179

Included in amount due to retrocessionaires is RM90,684,631 (2019: RM100,303,457) due to an affiliated company.

16. Lease liabilities

Leases as lessee (MFRS 16)

	2020 RM'000	2019 RM'000
Lease liabilities are payable as follows:		
- Within next 12 months	808	251
- After next 12 months	205	300
	1,013	551

16.1 Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	Note	2020 RM'000	2019 RM'000
At 1 January		551	1,275
Net changes from financing cash flows		(821)	(799)
Acquisition of new leases	6	1,283	75
At 31 December		1,013	551

16.2 Amounts recognised in statement of cash flows

	2020 RM'000	2019 RM'000
Included in net cash from operating activities:		
Interest on lease liabilities	95	65
Payment relating to short-term leases	-	18
Payment relating to leases of low-value assets	2	15
Included in net cash from financing activities:		
Payment of lease liabilities	821	799
Total cash outflows for leases	918	897

17. Other payables

	2020 RM'000	2019 RM'000
Other payables	457	206
Accrued expenses	18,643	15,612
	19,100	15,818

Included in other payables is RM8,088,575 (2019: RM3,610,000) due to an affiliated company.

18. Operating revenue

	Note	2020 RM'000	2019 RM'000
Gross reinsurance premiums		561,898	540,389
Investment income	19	23,757	21,390
		585,655	561,779

19. Investment income-net

	2020 RM'000	2019 RM'000
Held-to-maturity investments		
- interest income	1,042	1,082
Available-for-sale investments		
- distribution income	24,881	22,429
Amortisation of premiums, net of accretion of discounts	-	(2)
Fixed and call deposits with licensed financial institutions		
- interest income	12	14
	25,935	23,523
Less: Investment expenses	(2,178)	(2,133)
	23,757	21,390

20. Realised gains/(losses)

	2020 RM'000	2019 RM'000
Gains/(Losses) on disposal/ repayment		
- Held-to-maturity investments	(10)	(11)
- Available-for-sale assets	365	197
	355	186

21. Commission income/(expense)

	2020 RM'000	2019 RM'000
Commission income	1	1
Commission expense	(17,315)	(12,250)

22. Other operating income – net

	2020 RM'000	2019 RM'000
(Loss) on disposal of plant and equipment	-	(25)
Write off of plant and equipment	-	(1)
Realised loss in foreign exchange	(435)	(304)
Unrealised gain/(loss) in foreign exchange	17	(18)
Rent free period of leases	51	-
Other income	2,335	390
	1,968	42

23. Net claims incurred

	2020 RM'000	2019 RM'000
Gross claims paid	318,779	281,920
Claims recovered	(105,171)	(84,621)
Net claims paid	213,608	197,299
Gross change in claims liabilities:		
At 31 December	151,385	123,109
At 1 January	(123,109)	(125,439)
	28,276	(2,330)
Change in claims liabilities retroceded:		
At 31 December	(68,273)	(47,853)
At 1 January	47,853	45,331
	(20,420)	(2,522)
	221,464	192,447

24. Management expenses

	2020 RM'000	2019 RM'000
Employee benefits expenses	16,078	12,738
Directors' remuneration		
- Current year	912	831
Auditors' remuneration		
Audit fee:		
- KPMG Malaysia	215	215
Non-audit fee:		
- KPMG Malaysia	-	135
Depreciation of plant and equipment	421	378
Rental of equipment	2	15
Expenses relating to short-term leases	-	18
Depreciation of right-of-use assets	848	811
Lease interest	95	65
Amortisation of intangible assets	74	20
Direct operating expenses (revenue-generating)	8,917	8,573
Other expenses	962	2,105
	28,524	25,904

25. Key management personnel compensation

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

2020	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer							
Gan Tze Lian	-	335	50	61	-	13	459
Liew Pek Hin	-	317	-	82	1,110	12	1,521
Total Chief Executive Officer	-	652	50	143	1,110	25	1,980
Non-Executive Directors							
Toi See Jong	115	-	-	-	13	-	128
Y. Bhg. Dato Koh Yaw Hui	85	-	-	-	11	-	96
Low Shih Nin*	115	-	-	-	14	-	129
Chee Siew Eng	122	-	-	-	14	-	136
Lau Yew Kong	155	-	-	-	16	-	171
Y. Bhg Dato' Muthanna Abdullah	122	-	-	-	14	-	136
Ahmad Subri Abdullah	103	-	-	-	13	-	116
Total Directors' Remuneration (including benefits-in- kind)	817	-	-	-	95	-	912
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	817	652	50	143	1,205	25	2,892

* This director is a nominee of an affiliated company, Reinsurance Group of America, Incorporated (RGA). His remuneration is paid directly to RGA.

25. Key management personnel compensation (continued)

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

2019	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer							
Liew Pek Hin	-	633	211	152	106	17	1,119
Total Chief Executive Officer	-	633	211	152	106	17	1,119
Non-Executive Directors							
Toi See Jong	115	-	-	-	10	-	125
Low Shih Nin*	115	-	-	-	7	-	122
Chee Siew Eng	123	-	-	-	7	-	130
Lau Yew Kong	155	-	-	-	10	-	165
Y. Bhg Dato' Muthanna Abdullah	123	-	-	-	7	-	130
Ahmad Subri Abdullah	102	-	-	-	10	-	112
Anusha A/P Thavarajah	43	-	-	-	4	-	47
Total Directors' Remuneration (including benefits-in- kind)	776	-	-	-	55	-	831
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	776	633	211	152	161	17	1,950

* This director is a nominee of an affiliated company, Reinsurance Group of America, Incorporated (RGA). His remuneration is paid directly to RGA.

26. Income tax expense

	2020 RM '000	2019 RM '000
Current tax expense		
- current year	5,014	3,974
- over provision in prior years	(25)	(190)
	4,989	3,784
Deferred tax expense		
- origination and reversal of temporary differences	(403)	(360)
- under provision in prior years	47	103
	(356)	(257)
	4,633	3,527
Reconciliation of tax expense		
Profit before tax	74,579	59,448
Total income tax expense	4,633	3,527
Profit excluding tax	79,212	62,975
Tax at Malaysian tax rate of 8% (2019: 8%)	6,337	5,038
Income not subject to tax	(1,990)	(1,794)
Non-deductible expenses	264	370
	4,611	3,614
Under/(Over) provision in prior years	22	(87)
Tax expense	4,633	3,527

27. Other comprehensive income

	<----2020---->			<----2019---->		
	Before tax RM '000	Tax expense RM '000	Net of tax RM '000	Before tax RM '000	Tax expense RM '000	Net of tax RM '000
Fair value of available-for-sale-assets						
- Gain/(Loss) arising during the year	6,407	(512)	5,895	8,851	(708)	8,143
	6,407	(512)	5,895	8,851	(708)	8,143

28. Dividends

Dividends recognised by the Company	Sen per share	Total amount RM '000	Date of payment
2020			
Final 2019 ordinary (single tier)	34.97	17,834	4 August 2020
2019			
Final 2018 ordinary (single tier)	24.26	12,371	31 May 2019

29. Related parties

Identity of related parties

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 or jointly 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. The related parties of the Company are:

i) Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

ii) Affiliated company

An affiliated company is a company that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include the Chief Executive Officer and all the Directors of the Company. Key management personnel remuneration is disclosed in Note 25 to the financial statements.

29. Related parties (continued)

Identity of related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 9, 15 and 17.

	2020 RM'000	2019 RM '000
Shareholders of the holding company		
Gross premium income	526,841	501,985
Discount payable	(22,628)	(26,488)
Profit commission payable	(28,804)	(25,108)
Claims payable	(308,347)	(252,522)
Affiliated company		
Gross premium income	51,491	59,902
Discount payable	(1,594)	(2,761)
Profit commission recoverable	12,035	13,749
Gross premium retroceded	(210,306)	(191,369)
Retroceded discount receivable	2,692	2,538
IT Support Services - Worldwide	(4,371)	(2,954)
Technical Support Services - Worldwide	(235)	(235)
Administrative Services - Labuan	2,335	369
Other business income	-	21
Claims payable	(30,622)	(19,245)
Claims recoverable	121,684	100,924

30. Risk management framework

The risk management framework of the Company is as follows:

- The Risk Management Committee was established to drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks.

- Independent risk management and control functions under Internal Audit are responsible to ascertain that the risk policies are implemented and complied with.

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

30. Risk management framework (continued)

- Audit Committee, supported by Internal Audit, is established to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal and regulatory guidelines.

- Risk Management policies are reviewed at least yearly to ensure they remain relevant and effective and managing the associated risks due to changes in the market and regulatory environments.

Capital Management

Pursuant to the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia ("BNM"), the Board approved and adopted a Capital Management Plan ("CMP") for the Company in line with the requirements set out in the Risk-Based Capital Framework with effect from 1 January 2009. The objective of the CMP and the Company's policy are to create shareholders' value, deliver sustainable returns to shareholders, and maintain a strong capital position with optimum buffer to meet the Company's obligations and regulatory requirements.

The management of the Company's capital is guided by the CMP which is driven by the Company's business strategies and organisational requisites which take into account the business and regulatory environment in which the Company operates. In this respect, the Company sets a capital target that is above the minimum regulatory requirements as defined and required under the Risk-Based Capital Framework.

The Company conducts stress testing annually under the Financial Condition Report. The objective of the stress test is to evaluate the extent by which the Company's capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to adverse plausible events. The Financial Condition Report, together with the mitigating measures and action plan are tabled to the Board for approval prior to submission to BNM.

Management of Climate-related Risks

The management of climate-related risk is embedded in the Company's Risk Management Framework in line with the regulatory recommendation. Three main types of climate-related risks to the Company are being considered:

1. Physical risk – associated with physical losses and disruption to business activities arising from climate-related events. These are further categorised into acute and chronic risk.
2. Transition risk – associated with the adjustment made towards an environmental friendly economy.
3. Liability risk – associated with legal risks and claim damages and losses incurred arising from physical and transition risks, such as non-compliance to policies or regulations.

30. Risk management framework (continued)

Management of Climate-related Risks (continued)

Climate-related risk	Examples	Potential Impact	Risk Management
1. *Physical risk*			
(a) Acute risk - **Loss or impaired lives** - **Trade disruption** - **Reduction in productivity** - **Damaged assets**	Climate related events or natural disasters such as hurricanes, floods leading to higher mortality, increased illnesses, operation disruption or physical damage to the Company's assets	Higher life and medical claims, pandemic, catastrophic, business continuity, inadequate resources, illiquidity, operational losses	Monitor under: (i) Insurance Risk- Claims risk, Medical risk, Pandemic risk and Catastrophic risk (ii) Operational Risk- Business disruption and system failures risk, Human Capital risk, Liquidity risk, Operational losses risk
(b) Chronic risk - **Pricing and Underwriting assumptions** - **Investment** - **Loss or lower revenue**	Gradual changes such as change of mortality profiles and demographic trend. Climate related events affecting profitability and cost of business for invested counterparties or affecting economy and household income.	Change of risk profiles in terms of pricing and underwriting, reduction in investment value, higher lapsation resulted in operational losses	Monitor under: (i)Insurance Risk- Pricing risk, Underwriting process risk, Lapse Risk (ii) Market Risk- CIS risk (iii) Credit Risk- Investment default risk
2. *Transition risk*			
(a) Public policy and regulation - **New policies and regulations from regulators**	Enhanced reporting requirements, increasing efficiency standards, use of a carbon price	Compliance issue leading to higher compliance costs	Monitor under: (i) Operational Risk- Compliance risk
(b) Strategic - **Arising from changes in business trends**	Significant change in customers demand	Changes in business strategies	Monitor under: (i) New Initiative Risk
(c) Investment - **Arising from market, policy, technological and social changes**	Demand for green products or low carbon goods and services become more attractive	Changes in investment strategies	Monitor under: (i) Market Risk- CIS risk (ii) Credit Risk- Investment default risk
(d) Reputation - **Arising from social activism against the Company's inability to manage climate risk**	Higher expectations or concerns from regulators or stakeholders	Reputation, loss of market share leading to loss of revenue	Monitor under: (i) Operational Risk- Reputation risk

30. Risk management framework (continued)

Management of Climate-related Risks (continued)

Climate-related risk	Examples	Potential Impact	Risk Management
3. Liability risk			
Assessed as part of physical and transition risks	Fines for non-compliance to policies or regulations, litigation due to inability to manage climate risks	Legal and compliance issue	Monitor under: (i) Operational Risk- Compliance risk and Legal risk

Based on the above, the climate-related risk as a whole will be managed as Transversal Risk in view of the impact to the Company is realised in other risk categories (transversal nature).

Meanwhile, the metrics and targets to be used to assess and manage the climate-related risk moving forward would require more analysis and shall only be established thereafter. For the time being, two broad categories of impact associated with climate change have been identified by the Company, namely Investment and Insurance, which are covering the resultant impact climate-related risks. In managing the impact, Finance and Actuarial Valuation are responsible in identifying, assessing and managing the related risks and opportunities within their scope while the Risk Management Committee and Investment Committee are empowered to oversee the overall climate-related risk and opportunities for the Company.

31. Insurance risk management

Managing insurance risk is the core business of the Company. The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Insurance risk results from pricing and acceptance of reinsurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices of products and establishing the technical provisions and liabilities for claims. Sources of risk include policy lapses and claims such as mortality and morbidity.

The Company utilises retrocession to manage the mortality and morbidity risks. Loss ratios would be monitored closely and insurance risk can be mitigated by a re-pricing exercise if the adverse experience persists.

31. Insurance risk management (continued)

Geographically, the Company's risks are concentrated in Malaysia. Catastrophic cover is procured to limit catastrophic losses.

The table below sets out the concentration of the Company's reinsurance business premium by type of product.

	2020			2019		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Yearly Renewable Term - Life	409,714	(107,112)	302,602	387,742	(87,687)	300,055
Yearly Renewable Term - Health	46,137	(20,442)	25,695	41,316	(15,245)	26,071
Surplus Relief Reinsurance	101,734	(84,214)	17,520	111,178	(89,640)	21,538
Coinsurance	4,313	(420)	3,893	153	(370)	(217)
Total	561,898	(212,188)	349,710	540,389	(192,942)	347,447

The table below sets out the concentration of the Company's actuarial liabilities by type of product.

	2020			2019		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Yearly Renewable Term - Life	331,137	(51,086)	280,051	284,098	(34,650)	249,448
Yearly Renewable Term - Health	26,694	(8,964)	17,730	25,902	(9,452)	16,450
Surplus Relief Reinsurance	100,892	(76,457)	24,435	150,101	(120,648)	29,453
Coinsurance	(4,264)	(215)	(4,479)	(6,861)	(29)	(6,890)
Total	454,459	(136,722)	317,737	453,240	(164,779)	288,461

Key assumptions

Material judgements are required in determining the claim liabilities and in the choice of assumptions. Assumptions used are based on past experience current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at date of valuation. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

31. Insurance risk management (continued)

Disclosure of Key Assumptions

Yearly Renewable Term Contracts

The principal assumptions underlying the estimation of claims liabilities is that the Company's future claims will follow a similar pattern to the past claims development experience. These assumptions include claims development factors and loss ratios. These assumptions are derived based on the Company's historical and emerging underwriting experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future.

In setting provisions for claims liabilities, 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. As required by Bank Negara Malaysia under the Risk-Based Capital Framework, the Company sets provisions for claims at the 75% confidence interval.

Sensitivities

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from estimation. The sensitivity analysis is performed on the Yearly Renewable Term - Life liabilities. However, the Yearly Renewable Term - Health has been excluded due to its relative small size and immateriality.

The analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

	Impact on gross liabilities RM '000	Impact on net liabilities RM '000	Impact on profit before tax RM '000
31 December 2020			
Assumed loss ratios increase by 10%	12,983	12,983	(12,983)
31 December 2019			
Assumed loss ratios increase by 10%	12,769	12,769	(12,769)

Coinsurance and Surplus Relief Treaties

The principal assumptions underlying the estimation of liabilities include mortality assumptions, investment return, lapse rates and discount rates.

The Company booked its coinsurance and surplus relief treaties contract liabilities based on liabilities amounts provided by the respective cedants. The key assumptions to which the estimation of liabilities is particularly sensitive are mortality and morbidity rates, longevity, investment return, expenses, lapse and surrender rates and discount rates. The selection of these assumptions varies by cedants and is not disclosed to the Company. As such, sensitivity analysis could not be performed.

32. Financial instruments

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R")
(b) Held-to-maturity investments ("HTM")
(c) Available-for-sale investments ("AFS"); and
(d) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	HTM RM'000
31 December 2020				
Financial assets				
Investments	714,715	-	692,206	22,509
Insurance receivables	236,951	236,951	-	-
Loans and receivables, excluding insurance receivables and prepayments	988	988	-	-
Cash and cash equivalents	105	105	-	-
	952,759	238,044	692,206	22,509
Financial liabilities				
Insurance payables	(103,788)	(103,788)	-	-
Other payables	(19,100)	(19,100)	-	-
	(122,888)	(122,888)	-	-

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	HTM RM'000
31 December 2019				
Financial assets				
Investments	622,898	-	599,879	23,019
Insurance receivables	218,759	218,759	-	-
Loans and receivables, excluding insurance receivables and prepayments	978	978	-	-
Cash and cash equivalents	5,950	5,950	-	-
	848,585	225,687	599,879	23,019
Financial liabilities				
Insurance payables	(105,179)	(105,179)	-	-
Other payables	(15,818)	(15,818)	-	-
	(120,997)	(120,997)	-	-

32. Financial instruments (continued)

32.2 Net gains and losses arising from financial instruments

	2020 RM'000	2019 RM'000
Net gain arising on:		
Held-to-maturity investments	1,032	1,069
Available-for-sale investments		
- recognised in profit or loss	25,246	22,626
- recognised in other comprehensive income	6,407	8,851
Loans and receivables	(406)	(308)
	32,279	32,238

32.3 Financial risk management

The Company is exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk (currency risk, interest rate risk, equity price risk) and operational risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders whilst managing potential exposure to adverse effects on its financial performance and positions.

The Company is guided by risk management policies which set out the overall business strategies. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of financial risk management is delegated to the Management of the Company.

The policies and measures taken by the Company to manage these risks are as set out below:

- Credit risk
- Liquidity risk
- Market risk

32.4 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities, placements or balances with financial institutions, reinsurance premium receivables and recoveries from retrocessionaires.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Receivables

Risk management objectives, policies and process for managing the risk

Management has taken reasonable steps to ensure that premium receivables that are neither past due nor impaired are stated at their realisable values. The Company uses aging analysis to monitor the credit quality of premium receivables. Premium receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Recoveries from retrocessionaires are monitored by the Finance Department. The Company monitors the credit quality and financial conditions on a quarterly basis as part of its overall credit risk management framework. The Company cedes the majority of its business to reinsurers that are deemed to be qualified reinsurers under the Risk-Based Capital Framework.

Impairment losses

The Company maintains an aging analysis in respect of insurance receivables and the aging of insurance receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2020				
Not past due	212,240	-	-	212,240
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	6,318	-	-	6,318
Past due more than 90 days	18,393	-	-	18,393
	236,951	-	-	236,951
2019				
Not past due	201,619	-	-	201,619
Past due 1-30 days	12,327	-	-	12,327
Past due 31-60 days	2,493	-	-	2,493
Past due 61-90 days	512	-	-	512
Past due more than 90 days	1,808	-	-	1,808
	218,759	-	-	218,759

32. Financial instruments (continued)

32.4 Credit risk (continued)

Receivables (continued)

Past due and impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

At 31 December 2020, based on a combination of collective and individual assessment of receivables, there was no provision for impaired insurance receivables. All insurance receivables are from licensed insurers/reinsurers and there has been no history of non-collection. The Company records impairment allowance for insurance receivables in a separate "Allowance for Impairment" account.

Investments and deposit placements

Risk management objectives, policies and procedures for managing the risk

For fixed income securities, the Company relies on the ratings assigned by external rating agencies to assess the issuer's credit risk. Monitoring of credit is carried out by the Finance Department and any adverse changes in the credit profile on a security to below A-rated would be reported to the Investment Committee.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only invested in domestic securities and have placements with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Company does not have overdue investments that have not been impaired.

32. Financial instruments (continued)

32.4 Credit risk (continued)

32.4.1 Credit exposure

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The table below shows the maximum exposure to credit risk for the financial asset components on the statement of financial position.

	2020 RM '000	2019 RM '000
Investments:		
Held-to-maturity investments	22,509	23,019
Insurance receivables	236,951	218,759
Loans and receivables, excluding insurance receivables and prepayments	988	978
Cash and cash equivalents	105	5,950
	260,553	248,706

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal assessment.

	Neither past due nor impaired RM '000	Past due but not impaired RM '000	Total RM '000
31 December 2020			
Investments:			
Held-to-maturity investments	22,509	-	22,509
Insurance receivables	212,240	24,711	236,951
Loans and receivables, excluding insurance receivables and prepayments	988	-	988
Cash and cash equivalents	105	-	105
	235,842	24,711	260,553
31 December 2019			
Investments:			
Held-to-maturity investments	23,019	-	23,019
Insurance receivables	201,619	17,140	218,759
Loans and receivables, excluding insurance receivables and prepayments	978	-	978
Cash and cash equivalents	5,950	-	5,950
	231,566	17,140	248,706

32. Financial instruments (continued)

32.4 Credit risk (continued)

32.4.1 Credit exposure (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties and those of internationally recognised rating agencies such as A.M. Best and Standard and Poor's. AAA is the highest possible rating. Assets are classified as 'Not-rated' when the assets are unrated or the Company is unable to obtain the rating of the assets.

	AAA RM '000	AA RM '000	A RM '000	B RM '000	Not-rated RM '000	Total RM '000
31 December 2020						
Investments:						
Held-to-maturity investments	-	-	-	-	22,509	22,509
Insurance receivables	-	25,928	3,809	3	207,211	236,951
Loans and receivables, excluding insurance receivables and prepayments	-	-	-	-	988	988
Cash and cash equivalents	-	-	-	-	105	105
	-	25,928	3,809	3	230,813	260,553
31 December 2019						
Investments:						
Held-to-maturity investments	-	-	-	-	23,019	23,019
Insurance receivables	-	39,440	7,076	10	172,233	218,759
Loans and receivables, excluding insurance receivables and prepayments	-	-	-	-	978	978
Cash and cash equivalents	-	-	-	-	5,950	5,950
	-	39,440	7,076	10	202,180	248,706

32. Financial instruments (continued)

32.5 Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under normal and stressed conditions.

As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

32.5.1 Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM '000	Contractual Interest rate/ Discount rate	Contractual cash flow RM '000	Up to a year* RM '000	1 - 5 years RM '000	Above 5 years RM '000	No maturity date RM '000
31 December 2020							
Insurance payables	103,788		103,788	103,788	-	-	-
Other payables	19,100		19,100	17,844	1,256	-	-
Lease liabilities	1,013	5%	1,045	859	186	-	-
	123,901		123,933	122,491	1,442	-	-
31 December 2019							
Insurance payables	105,179		105,179	105,179	-	-	-
Other payables	15,818		15,818	14,907	911	-	-
Lease liabilities	551	5%	562	279	283	-	-
	121,548		121,559	120,365	1,194	-	-

* Expected utilisation or settlement is within 12 months of the reporting date.

32. Financial instruments (continued)

32.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised of three types of exposures: currency risk, interest rate risk and other price risk.

32.6.1 Currency risk

The Company is exposed to foreign currency risk on reinsurance premiums and claims that are denominated in currencies other than the Malaysian Ringgit. The Company has exposure to the following currencies: United States Dollar, Philippines Peso, Thailand Baht, Brunei Dollar, Singapore Dollar and Taiwan Dollar.

Risk management objectives, policies and processes for managing the risk

As at the end of the reporting period, 2.28% (2019: 2.22%) of the Company's businesses are from overseas business. As such, the Company has minimal exposure to foreign currency risk, and currency risk sensitivity is not disclosed. The net reinsurance premiums due to the Company from foreign clients are deposited into a multi-currency bank account which would later be transferred to a Ringgit-denominated account.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	US Dollar RM '000	Phillippines Peso RM '000	Thailand Baht RM '000	Singapore Dollar RM '000	Brunei Dollar RM '000
31 December 2020					
Insurance receivables	49	38	-	-	-
Cash and cash equivalents	3	-	-	4	-
	52	38	-	4	-
31 December 2019					
Insurance receivables	47	64	1,102	1,455	(187)
Cash and cash equivalents	76	-	-	2	-
	123	64	1,102	1,457	(187)

32.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which solvency and profitability can be affected by an adverse movement in interest rates.

32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The Company does not have any variable rate investments and borrowings, and hence are not exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Company's significant interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2020 RM '000	2019 RM '000
Fixed rate instruments		
- Investments (excluding zero coupon bond)	22,509	23,019
Short term deposits with licensed banks	-	300
	22,509	23,319

The Company's interest-bearing financial instruments are carried at amortised cost hence changes in interest rates have no impact to its carrying amount. As such, a sensitivity analysis for the impact of the rate changes to fair value is not performed.

32.6.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. Price risk can arise from investments in equity instruments and unit trust funds.

The Company's investment policy does not permit investment in equities and consequently has no exposure to the volatilities of the equity markets.

The Company invests in unit trust funds which fair value is quoted as the Net Asset Value (NAV) per unit in circularization. The Company is exposed to the changes in NAV/unit of these funds.

The sensitivity analysis below shows the impact to equity for the change in NAV/unit.

	Change in Variable	<----------Impact on equity----------> 2020 RM '000	 2019 RM '000
NAV/unit	+10%	69,221	59,988
NAV/unit	- 10%	(69,221)	(59,988)

32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.4 Operational risk

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

The Company mitigates operational risk by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

The Company has a Business Continuity Plan in place to ensure all aspects of the Company remain to be functioning in the midst of disruptive events. The Company also has a Disaster Recovery Plan which focuses on the technology systems that support various business functions.

32.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2020: no transfer in either directions).

Level 3 fair value

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities.

32. Financial instruments (continued)

32.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31 December 2020	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Financial assets										
Held-to-maturity investments	-	-	-	-	-	24,089	-	24,089	24,089	22,509
Available-for-sale investments	692,206	-	-	692,206	-	-	-	-	692,206	692,206
	692,206	-	-	692,206	-	24,089	-	24,089	716,295	714,715
31 December 2019										
Financial assets										
Held-to-maturity investments	-	-	-	-	-	23,960	-	23,960	23,960	23,019
Available-for-sale investments	599,879	-	-	599,879	-	-	-	-	599,879	599,879
	599,879	-	-	599,879	-	23,960	-	23,960	623,839	622,898

33. 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 cedants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital Framework which is imposed by the Ministry of Finance pursuant to Section 13(1) of the Financial Services Act, 2013. Under this Framework, the Company is required to satisfy a minimum capital adequacy ratio of 130% and maintain a capital level that commensurate with the Company's risk profile. The Company has a capital adequacy ratio in excess of the minimum requirement.

The total capital available of the Company as at 31 December 2020, as defined under the Risk-Based Capital Framework is provided below:

	2020 **RM '000**	**2019** **RM '000**
Tier 1 capital		
Share capital (paid up)	51,000	51,000
Retained profits	371,553	314,808
	422,553	365,808
Tier 2 capital		
Available-for-sale reserves	16,105	10,210
	16,105	10,210
Amounts added to capital	463	307
Total capital available	439,121	376,325

34. Reinsurance funds

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund in accordance with the Financial Services Act, 2013.

The reinsurance life business offers various reinsurance arrangements that are required by clients (cedants/retrocessionaires).

The Company's statement of financial position, profit or loss and information on cash flows comprising the Shareholders' and Life Funds are further analysed by funds as follows:

34. Reinsurance funds (continued)

Statement of Financial Position by Funds as at 31 December 2020

	Shareholders' Fund		Life Fund		Total	
	2020	2019	2020	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Assets						
Plant and equipment	-	-	1,156	641	1,156	641
Intangible assets	-	-	3,629	1,768	3,629	1,768
Right-of-use-assets	-	-	975	539	975	539
Financial assets - Investments	183,317	133,470	531,398	489,428	714,715	622,898
Reinsurance assets	-	-	204,995	212,632	204,995	212,632
Insurance receivables	-	-	236,951	218,759	236,951	218,759
Loan and receivables, excluding insurance receivables	381	381	1,116	896	1,497	1,277
Tax recoverable	4,843	9,758	-	-	4,843	9,758
Cash and cash equivalents	2	4	103	5,946	105	5,950
	188,543	143,613	980,323	930,609	1,168,866	1,074,222
Amount due from life fund/(due to) shareholders' fund	234,649	221,669	(234,649)	(221,669)	-	-
Total assets	423,192	365,282	745,674	708,940	1,168,866	1,074,222
Equity, life fund and liabilities						
Total equity	422,729	364,975	15,929	11,043	438,658	376,018
Insurance contract liabilities	-	-	605,844	576,349	605,844	576,349
Deferred tax liabilities	463	307	-	-	463	307
Insurance payables	-	-	103,788	105,179	103,788	105,179
Lease liabilities	-	-	1,013	551	1,013	551
Other payables	-	-	19,100	15,818	19,100	15,818
Total life fund and liabilities	463	307	729,745	697,897	730,208	698,204
Total equity, life fund and liabilities	423,192	365,282	745,674	708,940	1,168,866	1,074,222

34. Reinsurance funds (continued)

Profit or Loss by Funds for the year ended 31 December 2020

	Shareholders' Fund		Life Fund		Total	
	2020	2019	2020	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Operating revenue	4,869	3,499	580,786	558,280	585,655	561,779
Gross reinsurance premiums	-	-	561,898	540,389	561,898	540,389
Premiums ceded to retrocessionaires	-	-	(212,188)	(192,942)	(212,188)	(192,942)
Net reinsurance premiums	-	-	349,710	347,447	349,710	347,447
Change in actuarial liabilities	-	-	(29,276)	(75,490)	(29,276)	(75,490)
Investment income	4,869	3,499	18,888	17,891	23,757	21,390
Realised (loss)/gains	(27)	206	382	(20)	355	186
Fees and commission income	-	-	1	1	1	1
Other operating income-net	-	-	1,968	42	1,968	42
Other income	4,842	3,705	21,239	17,914	26,081	21,619
Gross benefits and claims paid	-	-	(318,779)	(281,920)	(318,779)	(281,920)
Claims retroceded to retrocessionaires	-	-	105,171	84,621	105,171	84,621
Gross change to claims liabilities	-	-	(28,276)	2,330	(28,276)	2,330
Change in claims liabilities retroceded to retrocessionaires	-	-	20,420	2,522	20,420	2,522
Net claims incurred	-	-	(221,464)	(192,447)	(221,464)	(192,447)
Commission expense	-	-	(17,315)	(12,250)	(17,315)	(12,250)
Management expenses	(1)	(1)	(28,523)	(25,903)	(28,524)	(25,904)
Other operating expenses	-	-	-	-	-	-
Other expenses	(1)	(1)	(45,838)	(38,153)	(45,839)	(38,154)
	4,841	3,704	74,371	59,271	79,212	62,975
Transfer from Revenue Account	74,371	59,271	(74,371)	(59,271)	-	-
Profit before tax	79,212	62,975	-	-	79,212	62,975
Tax expense	(4,633)	(3,527)	-	-	(4,633)	(3,527)
Profit for the year after tax	74,579	59,448	-	-	74,579	59,448

34. Reinsurance funds (continued)

Cash flows by Funds for the year ended 31 December 2020

	Shareholders' Fund		Life Fund		Total	
	2020	2019	2020	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Cash flows (used in)/generated from:						
Operating activities	(43,557)	(60,357)	59,238	81,493	15,681	21,136
Investing activities	-	-	(2,871)	(2,071)	(2,871)	(2,071)
Financing activities	43,555	60,358	(62,210)	(73,528)	(18,655)	(13,170)
Net (decrease)/increase in cash and cash equivalents	(2)	1	(5,843)	5,894	(5,845)	5,895
Cash and cash equivalents at beginning of year	4	3	5,946	52	5,950	55
Cash and cash equivalents at end of year	2	4	103	5,946	105	5,950

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 19 to 83 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 Company as at 31 December 2020 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

....

Ahmad Subri bin Abdullah
Director

....

Toi See Jong
Director

Kuala Lumpur,

Date: 19 March 2021

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

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

I, **Gan Tze Lian**, the Officer primarily responsible for the financial management of Malaysian Life Reinsurance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 19 to 83 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Gan Tze Lian, NRIC: 750711-10-5689, in Kuala Lumpur on 19 March 2021.

....

Gan Tze Lian

Before me:

PESURUHJAYA SUMPAH
W632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

No. 10-1 , Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALAYSIAN LIFE REINSURANCE GROUP BERHAD

(Company No. 199701002371(417867-K))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Life Reinsurance Group Berhad, which comprise the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 83.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

A3

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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.

Other Matter(s)

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chin Shoon Chong
Approval Number: 02823/04/2021 J
Chartered Accountant

Petaling Jaya

Date: 19 March 2021