Registration No.
197001000564 (9827-A)

# CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

## REPORTS AND STATUTORY FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Registration No.
197001000564 (9827-A)

# CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORTS AND STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2023

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Registration No.
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# CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

## CORPORATE INFORMATION

| | | |
|---|---|---|
| DOMICILE | : | Malaysia |
| LEGAL FORM AND PLACE OF INCORPORATION | : | Public company limited by way of shares incorporated in Malaysia under the Companies Act 2016 |
| REGISTERED OFFICE | : | Wisma Chubb<br>38 Jalan Sultan Ismail<br>50250 Kuala Lumpur |
| PRINCIPAL PLACE OF BUSINESS | : | Wisma Chubb<br>38 Jalan Sultan Ismail<br>50250 Kuala Lumpur |

Registration No.

| 197001000564 (9827-A) |
|---|

# CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

## DIRECTORS' REPORT
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

### PRINCIPAL ACTIVITY

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

There has been no significant change in the nature of this activity during the financial year.

### RESULTS

| | RM'000 |
|---|---|
| Net profit for the financial year | 119,156 |

### RESERVES AND PROVISIONS

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

### DIVIDENDS

The Company paid an interim single tier dividend of RM 0.75 per ordinary share totalling RM 75,000,000 in respect of the financial year ended 31 December 2022 on 20 January 2023. The dividend has been approved by Bank Negara Malaysia ("BNM") and accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ended 31 December 2023.

An interim single tier dividend of RM 1.10 per ordinary share totalling RM 110,000,000 in respect of the financial year ended 31 December 2023 is recommended by the Directors. The dividend has been approved by BNM in 2024 and will be accounted for in the shareholders' equity as an appropriation of retained earnings during the financial year ending 31 December 2024.

### SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

### CORPORATE GOVERNANCE

The Board of Directors ("the Board") is satisfied that the Company, where or as applicable, have complied with the prescriptive applications in BNM/RH/PD_029-9: Corporate Governance.

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities

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

(a) approve the Risk Appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;

(b) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer ("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;

(c) oversee the implementation of the Company's governance framework and Internal Control Framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

(d) promote, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

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

(f) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and

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

Composition of the Board

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Mohzani Bin Abdul Wahab (Chairman)
Cheryl Khor Hui Peng
Dr. Heng Kiah Ngan
Olivier Bouchard
Susan Yuen Su Min

CORPORATE GOVERNANCE (CONTINUED)

Composition of the Board (continued)

The Board comprises individuals with a wide range of professional skills and operational experience:

**Dato' Mohzani Bin Abdul Wahab** (Chairman, Independent Non-Executive Director)

Dato' Mohzani Bin Abdul Wahab was appointed to Chubb Insurance Malaysia Berhad on 2 April 2021. He graduated from the University of Malaya with a Bachelor (Honours) degree in Economics. He has 34 years experience in the downstream oil industry and retired as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd. He is currently Chairman of Merchantrade Asia Sdn Bhd and a member of the Board of Directors of Boustead Petroleum Marketing Sdn Bhd.

**Susan Yuen Su Min** (Independent Non-Executive Director)

Ms. Susan Yuen Su Min was appointed to the Chubb Insurance Malaysia Berhad Board of Directors on 14 February 2019. She holds a Bachelor of Computer Science (Honours) degree from the University of London, United Kingdom. She has over 30 years of working experience in the banking industry and has served a number of banking establishments including Maybank and HSBC Malaysia. She was also previously attached to the National Bank of Abu Dhabi Malaysia Berhad ("NBAD") where she was the Regional CEO Asia and Country CEO Malaysia from 2014 to 2018. Prior to joining NBAD, she served as CEO of ANZ Banking Group in Hong Kong SAR from 2009 to 2014. She is currently a member of the Board of Directors of Alliance Bank Malaysia Berhad, Press Metal Aluminium Holdings Berhad and Batu Kawan Bhd.

**Cheryl Khor Hui Peng** (Independent Non-Executive Director)

Ms. Cheryl Khor Hui Peng holds a Bachelor (Honours) degree in Mathematics and is currently a member of the Malaysian Institute of Certified Public Accountants ("MICPA"), the Malaysian Institute of Accountants ("MIA") and a fellow of the Institute of Corporate Directors Malaysia ("ICDM"). She is also a Faculty Member of the ICDM where she conducts training for directors on various board and governance topics across all industries.

Ms. Cheryl Khor has more than 23 years of experience covering financial, operational and internal audits as well as governance, controls, sustainability, internal audit and risk assessments for many clients across a broad range of industries.

CORPORATE GOVERNANCE (CONTINUED)

Composition of the Board (continued)

**Cheryl Khor Hui Peng** (Independent Non-Executive Director) (continued)

Ms. Cheryl Khor began her career in 1998 as a financial auditor and chartered accountant at EY. She diversified her skill sets and breadth of experience when she joined Deloitte in 2013 where she led the Risk Advisory practice, complementing her chartered accountant experience with sustainability, governance and risk expertise. She was appointed as its Managing Director in 2014 and held the position until 2021. Whilst in Deloitte, she held numerous leadership positions culminating her career as the Asia Pacific Accounting and Internal Control Leader and was also a member of the Deloitte South East Asia Board of Directors.

Ms. Cheryl Khor serves as an Independent Director on the Boards of Alliance Bank Malaysia Berhad, Hong Leong Industries Berhad, Kuala Lumpur Kepong Berhad and Malaysia Airports Holdings Berhad, all of which are listed on Bursa Malaysia. She is currently also a member of the Board of Directors of Leader Energy Holding Berhad and RAM Holdings Berhad.

**Dr. Heng Kiah Ngan** (Independent Non-Executive Director)

Dr. Heng Kiah Ngan holds a Doctor of Business Administration from Charles Sturt University, Australia, a Masters of Business Administration from Ohio University, USA and a Bachelor of Economics (Honours) from University Malaya. He was an Associate of the Malaysian Insurance Institute and is a Qualified Risk Director. He has more than 30 years of insurance experience working in various capacities in several insurance and insurance broking companies. Among his highlights, he had earlier been the CEO and Director of an insurance broker (1996 to 1998) and later as the CEO of an insurance company (Tokio Marine Insurans (M) Berhad) from 2010 to 2014. During his insurance career, he has done various assignments for the Malaysian Insurance Institute, been a Director of Insurance Services Malaysia Berhad (2011 to 2013) as well as Persatuan Insurans Am Malaysia's ("PIAM") Management Committee Member for 2013 to 2014. He helmed his own consultancy from 2015 until 2021 providing advisory services to insurance and non insurance clients. He is currently also a Board and Management Committee Member of Kelab Golf Negara Subang.

**Olivier Bouchard** (Non-Independent Executive Director)

Mr. Olivier Bouchard is the Regional Chief Financial Officer for Chubb in the Asia Pacific Region. He has extensive experience in the insurance and financial services industry having held numerous senior executive roles in various multinational corporations during his 25 year career. Before his appointment as the Regional Chief Financial Officer in April 2015, he was the Financial Controller for Chubb in Asia Pacific, responsible for the management results and statutory reporting, as well as the compliance environment of the financial division throughout the region.

CORPORATE GOVERNANCE (CONTINUED)

The current Board Committees are:

Board Audit Committee

The primary objective of the Board Audit Committee is to assist the Board in the discharge of its responsibilities and to ensure the integrity and transparency of the financial reporting process.

The Board Audit Committee comprises of the following Directors:

Cheryl Khor Hui Peng
Susan Yuen Su Min
Dato' Mohzani Bin Abdul Wahab
Dr. Heng Kiah Ngan

Board Nominating Committee

The primary objective of the Board Nominating Committee is to establish or to ensure that there is a formal and transparent procedure for the appointment of Directors, Chief Executive Officer and senior officers who report directly to the Chief Executive Officer and to assess the effectiveness of individual Directors, the Board as a whole, Chief Executive Officer and senior officers on an on-going basis.

The Board Nominating Committee comprises of the following Directors:

Susan Yuen Su Min
Dato' Mohzani Bin Abdul Wahab
Cheryl Khor Hui Peng
Olivier Bouchard
Dr. Heng Kiah Ngan

Board Remuneration Committee

The primary objective of the Board Remuneration Committee is to provide a formal and transparent procedure for developing a Remuneration Policy for Directors, Chief Executive Officer and senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The Board Remuneration Committee comprises the following Directors:

Susan Yuen Su Min
Dato' Mohzani Bin Abdul Wahab
Cheryl Khor Hui Peng
Dr. Heng Kiah Ngan

CORPORATE GOVERNANCE (CONTINUED)

The current Board Committees are: (continued)

Board Risk Management Committee

The primary objective of the Board Risk Management Committee is to oversee and ensure the effectiveness of Senior Management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management framework, strategy and process is in place and functioning effectively.

The Board Risk Management Committee comprises of the following Directors:

Dr. Heng Kiah Ngan
Dato' Mohzani Bin Abdul Wahab
Cheryl Khor Hui Peng
Susan Yuen Su Min

The number of Board and Board Committee meetings held during the financial year is set out below.

| | | Meetings of Committees | | | |
|---|---|---|---|---|---|
| | Board of Directors | Audit | Nominating | Remuneration | Risk Management |
| Number of meetings held during the financial year | 10 | 6 | 4 | 2 | 4 |
| | Number attended | Number attended | Number attended | Number attended | Number attended |
| Olivier Bouchard | 9/10 | - | 3/4 | - | - |
| Susan Yuen Su Min | 10/10 | 6/6 | 4/4 | 2/2 | 4/4 |
| Dato' Mohzani Bin Abdul Wahab | 10/10 | 6/6 | 4/4 | 2/2 | 4/4 |
| Cheryl Khor Hui Peng | 10/10 | 6/6 | 4/4 | 2/2 | 4/4 |
| Dr. Heng Kiah Ngan | 10/10 | 6/6 | 4/4 | 2/2 | 4/4 |

## CORPORATE GOVERNANCE (CONTINUED)

### Internal Control and Risk Management Framework

The Board is responsible and committed to establishing a sound internal control framework which includes financial, operational and compliance controls and risk management practices. The internal control framework is designed to manage rather than eliminate risks and therefore can only provide reasonable and not absolute assurance of effectiveness. An integral part of the internal control framework is the ongoing company-wide risk management process for identifying, evaluating and managing the significant risks faced by the Company.

The Company's Enterprise Risk Management Framework ("RMF") utilises the "3 Lines of Defense" strategy, as part of its internal control framework to help the Company to achieve its business objectives, meet its corporate obligations and at the same time maintain its reputation. The implementation of the RMF is delegated to the Enterprise Risk Committee ("ERC") who is responsible for monitoring, assessing and reporting on risk related activity to the Board through the Board Risk Management Committee ("BRMC").

The Board Audit Committee ("BAC") regularly evaluates the effectiveness and adequacy of the Company's internal control framework based on reports prepared by Internal Audit, Compliance, external auditors and any other relevant authority. Internal Audit in turn, ensures that recommendations to improve the effectiveness of the Company's internal controls, risk management and governance processes are addressed in a timely manner.

### Remuneration Policy

Remuneration systems form a key component of the governance and incentive structure through which the Board and Senior Management (including Chief Executive Officer and Senior Officers) drive performance, convey acceptable risk taking behaviour and reinforce the Company's corporate and risk culture. Senior Officers include 4 Head of Business Line and 9 Head of Support Function.

The overall remuneration system of the Company is guided by the following principles:

(a) It is subject to the Board's active oversight to ensure that it operates as intended.

(b) It is in line with the business and risk strategies, corporate values and long-term interests of the Company.

(c) It is designed and implemented with input from Control Functions and the Board Risk Management Committee ("BRMC") to ensure that risk exposure and risk outcomes are adequately considered.

(d) It must not threaten the Company's ability to maintain adequate capital base.

(e) It must be sustainable according to the financial condition of the Company as a whole and justified on the basis of Company performance, the business unit and the individual concerned.

(f) It must be appropriate to the nature, scale and complexity of the role, function or service performed.

(g) Remuneration decisions must not be made and/or approved by a beneficiary of that decision.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy (continued)

The remuneration system of the Company is linked to its risk management framework in that it is consistent with the risk appetite and the long-term strategy of the Company. The remuneration for individuals within the Company must be aligned with prudent risk-taking and appropriately adjusted for risks.

This includes ensuring that:

(a) Remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;

(b) The size of the bonus pool is linked to the overall performance of the Company;

(c) Incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;

(d) Bonuses are not guaranteed, except in the context of sign-on bonuses; and

(e) For members of Senior Management and Other Material Risk Takers:

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

    (ii) the variable portion of remuneration increases along with the individual's level of accountability.

The Company participates in industry salary and benefits surveys and are guided by the results arising from these surveys as it is a comparative measure of market competitiveness and alignment.

The Remuneration for each member of Senior Management and Other Material Risk Taker is approved by the Board annually.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy (continued)

**Methodology for Determining Remuneration**

The Company engages in an enterprise wide Performance Planning and Review process ("PPR"). This annual performance review consists of the following:

(a) establishing the financial, business and development objectives for each department;

(b) evaluating the results, work skills and competencies; and

(c) developing appropriate skills and knowledge for current roles and future progression.

This process consists of a series of review conversations between managers and staff completed during the first quarter of each year. The process provides an opportunity for staff to set individual objectives which are aligned to business objectives and the Company's risk appetite. Performance achievements are acknowledged and compared against the prior year's target and takes into account qualitative criteria which has been given sufficient weightage in order to promote the desired staff conduct and behavior (including acting in line with the requirements set out in Bank Negara's Fair Treatment of Financial Consumers policy document). Development needs are also discussed with individual objectives linked to the business and strategic unit objectives for the Company. Recommendations for reward and recognition arise from this process and are put forward by the relevant divisional and departmental heads.

These performance reviews and recommendations are collated by the Head of Human Resources ("HR") and reviewed in consultation with the CEO. The CEO and Head of HR will review the remuneration recommendations and may consider adjustments, being guided by the assessments of the effectiveness and contributions of the individual concerned and taking into account any salary alignments to the market which is deemed critical. The CEO and Head of HR shall ensure that the remuneration packages of the Company are competitive and consistent with the Company's culture, objectives and remuneration strategy.

The Company adopts a multi-year framework to measure the performance of members of Senior Management and Other Material Risk Takers. Such a framework provides for:

(a) the deferment of payment of a portion of variable remuneration to the extent that risks are realised over long periods, with these deferred portions increasing along with the individual's level of accountability;

(b) the calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and

(c) adjustments to the vested and unvested portions of variable remuneration (through malus of unvested awards) should one or more of malus events as stated in the Malus policy have been identified/established.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy (continued)

To promote behaviours that are aligned to the intended effects of incentive structures, the Company ensures that:

(a) variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;

(b) the determination of performance measures and variable remuneration considers that certain indicators (such as share prices) may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to the Company's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take on excessive risk in the short term; and

(c) recipient of Chubb Limited shares will be required to commit not to undertake activities (such as personal hedging strategies and/or liability-related insurance) in connection with any unvested deferred remuneration awards or any vested awards subject to a retention period) that will undermine the risk alignment effects embedded in their remuneration. Disciplinary action shall be taken against those who breach this restriction.

To safeguard the independence and authority of individuals engaged in Control Functions, the Company must ensure that the remuneration of such individuals is based principally on the achievement of Control Functions objectives, and determined in a manner that is independent from the business lines they oversee. To achieve this:

(a) Remuneration for employees in Control Functions are structured in a way that is principally based on the achievement of their control objectives and does not compromise their independence.

(b) Due care is exercised to preserve a clear distinction between performance measures of staff responsible for Control Functions and the performance of any business unit.

(c) The Board Remuneration Committee is actively involved in the performance reviews of individuals primarily responsible for Control Functions.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the Directors' remuneration) 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.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the 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.

## DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors in office at the end of the financial year held any interest in shares in, or debentures of the Company or its related corporations during the financial year.

## DIRECTORS' REMUNERATION

The Directors' remuneration and other emoluments during the financial year are as follows:

| | RM'000 |
|---|---|
| Directors' fees | 834 |

During the financial year, the Company has purchased a Directors' & Officers' Liability Insurance policy for all its Directors and Officers of the Company, which amounted to RM61,772.

## ULTIMATE HOLDING COMPANY

The Directors regard Chubb Limited ("Chubb"), a company incorporated in Zurich, Switzerland, as the ultimate holding company.

## RESTRICTED SHARE OPTION PLAN

Under Chubb's long term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at issue date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant.

RESTRICTED SHARE OPTION PLAN (CONTINUED)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price per share | Share options |
|---|---|---|
| | RM | Units |
| At beginning of financial year | | 27,768 |
| Granted | 983.81 | 2,709 |
| Forfeited | 929.81 | (414) |
| Exercised | 509.83 | (4,030) |
| Transferred out | | (2,209) |
| Transferred in | | 76 |
| | | 23,900 |

Out of the 23,900 outstanding options, 19,158 options were exercisable. Options granted in 2023 resulted in 2,709 shares options being issued at exercise price of RM983.81 each. 4,030 options were exercised in 2023 at exercise price of RM509.83.

Share options outstanding at the end of the financial year have the following expiry date and exercise prices:

| | Exercise price per share | Share options 2023 |
|---|---|---|
| | RM | Units |
| 2024 | 456.34 | 2,586 |
| 2025 | 541.33 | 2,736 |
| 2026 | 558.36 | 2,582 |
| 2027 | 655.61 | 2,814 |
| 2028 | 674.75 | 2,049 |
| 2029 | 631.51 | 2,302 |
| 2030 | 707.96 | 2,080 |
| 2031 | 777.90 | 2,099 |
| 2032 | 938.67 | 2,159 |
| 2033 | 983.81 | 2,493 |
| | | 23,900 |

The weighted average fair value of options granted during the financial year determined using the Black-Scholes valuation model was RM255.02 per option. The significant inputs into the model were share price of RM983.81, at the grant date, the exercise price shown above, volatility of 23.00%, dividend yield of 1.65%, an expected option life of 5 years and on annual risk-free interest rate of 4.0%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. Details of restricted share option plan are set out in Note 13 to the financial statements.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that there was adequate provision for its insurance liabilities in accordance with the Malaysian Financial Reporting Standard ("MFRS") 17 – Insurance Contracts;

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

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

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

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

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

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

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Company which has arisen since the end of the financial year, other than disclosed in Note 22 to the financial statements.

(f) In the opinion of the Directors:

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

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

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

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

AUDITORS' REMUNERATION

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

| | RM'000 |
|---|---|
| Auditors' remuneration | |
| - Statutory audit services | 522 |
| - Audit-related services | 225 |
| - Non-audit services | 30 |
| | 777 |

There was no indemnity given to or insurance effected for any auditors of the Company during the financial year.

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 March 2024.

DATO' MOHZANI BIN ABDUL WAHAB
DIRECTOR

CHERYL KHOR HUI PENG
DIRECTOR

Kuala Lumpur

Registration No.

| |
|---|
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

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

We, Dato' Mohzani Bin Abdul Wahab and Cheryl Khor Hui Peng, two of the Directors of Chubb Insurance Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 22 to 123 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance and cash flows of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 March 2024.

DATO' MOHZANI BIN ABDUL WAHAB
DIRECTOR

CHERYL KHOR HUI PENG
DIRECTOR

Kuala Lumpur

Registration No.

| 197001000564 (9827-A) |
|---|

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

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

I, Abbas Choker, being the officer primarily responsible for the financial management of Chubb Insurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 123 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

ABBAS CHOKER

Subscribed and solemnly declared by the named above at Kuala Lumpur in Malaysia before me, on 27 March 2024.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W 629
V. MALINI A/P K. VEPANESWARAN
BC/M/700
1/1/2024-31/12/2026
MALAYSIA

Level 6, Tribeca
215, Jalan Imbi, Bukit Bintang,
55100 Kuala Lumpur.
Tel: 03-2724 7800

pwc

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBER OF CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration No. 197001000564 (9827-A)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

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

### What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 22 to 123.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CHUBB INSURANCE MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197001000564 (9827-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

REPORT ON 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:

(a) 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.

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CHUBB INSURANCE MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197001000564 (9827-A)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

CHAN SUET LYE
03603/10/2025 J
Chartered Accountant

Kuala Lumpur
27 March 2024

# CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

| | Note | 31.12.2023 RM'000 | 31.12.2022 RM'000 Restated | 01.01.2022 RM'000 Restated |
|---|---|---|---|---|
| ASSETS | | | | |
| Property and equipment | 5 | 40,778 | 40,833 | 43,416 |
| Right-of-use assets | 6 | 2,015 | 1,694 | 2,479 |
| Intangible assets | 7 | 9,708 | 9,371 | 7,679 |
| Investments | 8 | 1,483,826 | 1,299,880 | 1,339,400 |
| Insurance contract assets | 14 | 13 | - | - |
| Reinsurance contract assets | 14 | 260,530 | 322,084 | 263,617 |
| Other receivables | 9 | 47,439 | 49,907 | 54,721 |
| Deferred tax assets | 10 | - | 462 | 747 |
| Cash and cash equivalents | | 235,548 | 344,978 | 247,400 |
| Total assets | | 2,079,857 | 2,069,209 | 1,959,459 |
| EQUITY AND LIABILITIES | | | | |
| Share capital | 11 | 100,000 | 100,000 | 100,000 |
| Retained earnings | 12 | 973,360 | 929,204 | 820,565 |
| Equity reserve | 13 | 6,275 | 7,982 | 8,660 |
| Total equity | | 1,079,635 | 1,037,186 | 929,225 |
| Insurance contract liabilities | 14 | 852,473 | 871,820 | 851,780 |
| Reinsurance contract liabilities | 14 | - | 111 | - |
| Deferred tax liabilities | 10 | 5,366 | - | - |
| Lease liabilities | 6 | 1,947 | 1,758 | 2,516 |
| Current tax liabilities | | 5,521 | 7,010 | 16,785 |
| Other payables | 15 | 134,915 | 151,324 | 159,153 |
| Total liabilities | | 1,000,222 | 1,032,023 | 1,030,234 |
| Total equity and liabilities | | 2,079,857 | 2,069,209 | 1,959,459 |

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

Registration No.
197001000564 (9827-A)

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

# STATEMENT OF COMPREHENSIVE INCOME
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Note | 2023<br>RM'000 | 2022<br>RM'000<br>Restated |
|---|---|---|---|
| Insurance revenue | 14 | 690,954 | 671,447 |
| Insurance service expense | 14 | (331,474) | (409,801) |
| Insurance service result before reinsurance contracts held | | 359,480 | 261,646 |
| Allocation of reinsurance premiums | 14 | (142,565) | (122,441) |
| Amounts recoverable from reinsurers for incurred claims | 14 | 5,268 | 101,224 |
| Net expense from reinsurance contracts held | | (137,297) | (21,217) |
| Insurance service result | | 222,183 | 240,429 |
| Investment income | | 54,091 | 45,841 |
| Net fair value gains/ (losses) on financial assets | 8 | 20,950 | (17,790) |
| Realised gains | 8 | 2,091 | 2,698 |
| Total investment income | 16 | 77,132 | 30,749 |
| Insurance finance expense for insurance contracts issued | 14 | (27,848) | (14,498) |
| Reinsurance finance income for reinsurance contracts held | 14 | 9,841 | 5,139 |
| Net foreign exchange loss | | (96) | (7) |
| Net insurance financial result | 16 | (18,103) | (9,366) |
| Other income | | 2,190 | 4,616 |
| Management expenses | 17 | (123,295) | (120,548) |
| Total management expenses | | (121,105) | (115,932) |
| Profit before taxation | | 160,107 | 145,880 |
| Taxation | 18 | (40,951) | (37,241) |
| Net profit for the financial year/ total comprehensive income for the financial year | | 119,156 | 108,639 |
| Earnings per share (sen) | | | |
| Basic | | 119.16 | 108.64 |

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

Registration No.
197001000564 (9827-A)

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | | -----Non-Distributable---- | | Distributable | |
|---|---|---|---|---|---|
| | Share capital RM'000 | Equity reserve RM'000 | Fair value reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 31 December 2022, as previously reported | 100,000 | 7,982 | (21,547) | 873,237 | 959,672 |
| Impact of initial application of MFRS 17 | - | - | - | 77,514 | 77,514 |
| Impact of initial application of MFRS 9 | - | - | 21,547 | (21,547) | - |
| At 1 January 2023, restated | 100,000 | 7,982 | - | 929,204 | 1,037,186 |
| Total comprehensive income for the financial year | - | - | - | 119,156 | 119,156 |
| Dividend paid | - | - | - | (75,000) | (75,000) |
| Comprehensive income for financial year: | | | | | |
| share-based long term incentive plan vested | - | 2,680 | - | - | 2,680 |
| share-based long term incentive plan paid | - | (4,387) | - | - | (4,387) |
| | - | (1,707) | - | - | (1,707) |
| At 31 December 2023 | 100,000 | 6,275 | - | 973,360 | 1,079,635 |
| | | | | | |
| At 31 December 2021, as previously reported | 100,000 | 8,660 | (8,027) | 762,870 | 863,503 |
| Impact of initial application of MFRS 17 | - | - | - | 65,722 | 65,722 |
| Impact of initial application of MFRS 9 | - | - | 8,027 | (8,027) | - |
| At 1 January 2022, restated | 100,000 | 8,660 | - | 820,565 | 929,225 |
| Total comprehensive income for the financial year | - | - | - | 108,639 | 108,639 |
| Comprehensive income for financial year: | | | | | |
| share-based long term incentive plan vested | - | 1,118 | - | - | 1,118 |
| share-based long term incentive plan paid | - | (1,796) | - | - | (1,796) |
| | - | (678) | - | - | (678) |
| At 31 December 2022, restated | 100,000 | 7,982 | - | 929,204 | 1,037,186 |

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

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

# STATEMENT OF CASH FLOWS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Note | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit before taxation | | 160,107 | 145,880 |
| Investment income | | (54,091) | (45,841) |
| Realised gains in profit or loss | 8 | (2,091) | (2,698) |
| Net fair value (gains)/ losses on financial assets | 8 | (20,950) | 17,790 |
| Realised losses/ (gains) on foreign exchange | | 481 | (385) |
| Depreciation of property and equipment | 5 | 2,421 | 3,845 |
| Depreciation of right-of-use assets | 6 | 1,083 | 1,111 |
| Amortisation of intangible assets | 7 | 2,698 | 2,089 |
| Interest charged on lease liabilities | 6 | 99 | 128 |
| Gain on disposal of property and equipment | | (40) | (647) |
| Property and equipment written off | 17 | 18 | 34 |
| Employee share-based long term incentive plan | | 2,680 | 1,118 |
| Change in working capital | | | |
| Decrease/ (increase) in reinsurance contract assets | | 61,554 | (58,467) |
| (Decrease)/ increase in reinsurance contract liabilities | | (111) | 111 |
| Decrease in other receivables | | 2,342 | 3,541 |
| Increase in insurance contract assets | | (13) | - |
| (Decrease)/ increase in insurance contract liabilities | | (19,347) | 20,040 |
| Decrease in other payables | | (16,890) | (7,455) |
| (Increase)/ decrease in FVTPL investments | | (164,663) | 17,223 |
| Decrease in lease liabilities | | (7) | (1) |
| Cash (used in)/ generated from operating activities | | (44,720) | 97,416 |
| Interest income received | | 57,908 | 55,341 |
| Dividend income received | | 66 | 66 |
| Income tax paid | | (36,611) | (46,731) |
| Shared-based long term incentive plan paid | | (4,387) | (1,796) |
| Net cash flows (used in)/ generated from operating activities | | (27,744) | 104,296 |

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

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

# STATEMENT OF CASH FLOWS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

| | Note | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Proceed from disposal of property and equipment | | 140 | 14 |
| Purchase of property and equipment | 5 | (2,484) | (1,740) |
| Purchase of intangible assets | 7 | (3,035) | (3,781) |
| Net cash flows used in investing activities | | (5,379) | (5,507) |
| FINANCING ACTIVITIES | | | |
| Payment of lease liabilities | 6 | (1,307) | (1,211) |
| Dividend paid | | (75,000) | - |
| Net cash flows used in financing activities | | (76,307) | (1,211) |
| Net (decrease)/ increase in cash and cash equivalents | | (109,430) | 97,578 |
| Cash and cash equivalents at beginning of the financial year | | 344,978 | 247,400 |
| Cash and cash equivalents at end of the financial year | | 235,548 | 344,978 |
| Cash and cash equivalents comprise: | | | |
| Fixed and call deposits: | | | |
| - Licensed financial institutions in Malaysia | | 228,439 | 327,166 |
| - Cash and bank balances | | 7,109 | 17,812 |
| | | 235,548 | 344,978 |

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The Directors regard Chubb Limited, a company incorporated in Zurich, Switzerland, as the ultimate holding company of the Company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 March 2024.

## 2 MATERIAL ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

### (a) Basis of preparation

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

The financial statements of the Company have also been prepared under the historical cost basis, except otherwise stated in these material accounting policies. The Company has met the minimum capital requirements as prescribed by the Risk Based Capital Framework as at the date of the statement of financial position.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during reported financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand ("RM'000").

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective.**

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on 1 January 2023 are as follows:

- Amendments to MFRS 17 'Insurance Contracts': Initial Application of MFRS 17 and 9 – Comparative Information
- MFRS 17 'Insurance Contracts' and its amendments
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of Accounting Policies'
- Amendments to MFRS 108 'Definition of Accounting Estimates'
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The adoption of the above standards and amendments to the published standards did not have any material impact to the current and prior period financial statements of the Company, except for that as disclosed in Note 4 to the financial statements.

(ii) **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.**

Several new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2024.

- Amendments to MFRS 16 on Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to MFRS 107 and MFRS 7 on Supplier Finance Arrangements (effective 1 January 2024)
- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current" ('2020 amendments') and "Non-current Liabilities with Covenants" ('2022 amendments') (effective 1 January 2024)
- Amendments to MFRS 121 'Lack of Exchangeability' (effective 1 January 2025) clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

**(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective. (continued)**

The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

None of the accounting standards, amendments to published standards and interpretations to existing standards listed above were expected to give rise to any material financial impact to the Company upon initial application.

(b) Property and equipment

(i) Measurement basis

Property and equipment are initially recorded at cost. These include expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

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

Property and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment (continued)

(ii) Depreciation

Freehold land is not depreciated.

Depreciation is calculated using the straight-line basis to allocate the costs of other property and equipment to their residual values over the expected useful lives of the assets.

The expected useful lives of the property and equipment are as follows:

| | |
|---|---|
| Buildings | 50 years |
| Computers | 3 - 10 years |
| Office equipment, furniture and fittings | 3 - 10 years |
| Motor vehicles | 5 years |

The residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

(c) Intangible assets

*Computer software*

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

Costs associated with maintaining computer software programmes are recognised as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives of 4 to 7 years.

Work-in-progress is not amortised until the asset is ready for its intended use.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Leases

Lessee

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

(i) Lease term

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

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

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

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

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

Lessee (continued)

(iii) Lease liabilities

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

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

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

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

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

(iv) Reassessment of lease liabilities

A reassessment of the lease liability takes place if the cash flows change based on the original terms and conditions.

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

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

Lessor

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

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

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

(e) Financial assets

(i) Initial recognition

Financial assets are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at their fair value plus or minus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Classification and measurement

The Company classifies its financial assets in the following measurement categories:
- Amortised cost (“AC”);
- Fair value through other comprehensive income (“FVOCI”); and
- Fair value through profit or loss (“FVTPL”).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(ii) Classification and measurement (continued)

(1) Debt instruments

The classification and subsequent measurement of debt instruments depend on:
a. the Company's business model for managing the financial asset; and
b. the cash flow characteristics of the financial asset

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- AC: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by any expected credit loss ("ECL") allowance recognised. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the effective interest rate ("EIR") method.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's AC, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net fair value gains/ (losses) on financial assets. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.

- FVTPL: Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. Also, some assets are voluntarily measured at FVTPL, because this significantly reduces an accounting mismatch. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the profit or loss within net fair value gains/ (losses) on financial assets in the period in which it arises.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(ii) Classification and measurement (continued)

(1) Debt instruments (continued)

Business model assessment

The business model reflects how the Company manages assets in order to generate cash flows. That is, it reflects whether the Company's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL. Factors considered by the Company in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely payments of principal and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows meet SPPI test. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Company has determined that an accounting mismatch is reduced if all its debt instruments are measured at FVTPL. For these instruments, the Company has applied the option to designate these financial assets at FVTPL.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(ii) Classification and measurement (continued)

(2) Equity instruments

The Company measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented as other gains and losses. Dividends from equity investments are recognised in profit or loss as dividend income.

(3) Other financial assets

The Company measures all its other financial assets at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised. Interest revenue from these financial assets, if any, is included in interest revenue from financial assets not measured at FVTPL using the EIR method.

(iii) Reclassification of financial assets

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

(iv) Impairment

The Company assesses on a forward-looking basis ECL associated with its debt instrument assets carried at AC and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Impairment (continued)

The Company measures loss allowance based on three-stage model for impairment depending on the changes in credit quality since initial recognition as summarised below:

- financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Company. ECL are provided for expected credit losses that result from default events that are possible within the next 12-months (12-month ECL).
- if a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. A loss allowance is provided for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).
- if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. A loss allowance is then provided for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).
- A pervasive concept in measuring the ECL in accordance with MFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (lifetime ECL).

(1) Measurement of ECL

ECL is a probability-weighted estimate of the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The ECL is the discounted product of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"), defined as follows:

- PD – an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Impairment (continued)

(1) Measurement of ECL (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (that is, the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a financial instrument portfolio from the point of initial recognition throughout the lifetime of the financial instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

Loss allowances for ECL are presented as follows:

- AC: the loss allowance is deducted from the gross carrying amount of the assets; and
- FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

(2) Credit-impaired financial assets

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Impairment (continued)

(2) Credit-impaired financial assets (continued)

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- disappearance of an active market for a security due to financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

(3) Low credit risk financial assets

For financial assets that have low credit risk, loss allowance is calculated and the financial asset is measured using 12-month ECL, provided that the financial asset meets the following criteria:

- the financial instrument has a low risk of default;
- the borrower is considered to have a strong capacity to meet its obligation in the near term; and
- the Company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

(4) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Impairment (continued)

(4) Write-off (continued)

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

The Company's debt instruments are designated as FVTPL since initial recognition to reduce the accounting mismatch created by assets and liabilities being measured on different bases and, therefore, do not have any loss allowance from expected credit loss as of reporting date. All other financial assets are short-term and low risk in nature and loss allowance, if any, is immaterial to be disclosed.

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

(f) Financial liabilities

The Company classifies and subsequently measures its financial liabilities at AC. Interest expenses and foreign exchange gains and losses are recognised and presented in profit or loss.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the reduced financial liability or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Other receivables from Malaysian Motor Insurance Pool ("MMIP")

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

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

The Company classifies the cash flows for the purchase and disposal of investments in financial assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payment of insurance claims benefits.

(i) Provisions

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

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost expense.

(j) Contingent liabilities and contingent assets

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

A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Equity instruments

*Ordinary share capital*

The Company has issued ordinary shares that are classified as equity. Ordinary shares are recorded at nominal value.

*Dividends on ordinary share capital*

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid. No provision is made for a proposed dividend.

(l) Insurance and reinsurance contracts

(i) Contracts classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract under which the Company (insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. The recognition and measurement of insurance contracts are set out in Note 2(l)(vi) to the financial statements. The adoption of MFRS 17 did not change the classification of the Company's insurance contracts.

Investment contracts are those contracts that do not transfer significant insurance risk.

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(ii) Separating components

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be separated and not accounted for under MFRS 17. After separating any distinct components, the Company applies MFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company does not have any contracts that require further separation or combination of insurance contracts.

Insurance contracts with refund features are not separated under MFRS 17. Where refunds are paid to the policyholder in all circumstances, they are accounted for as non-distinct investment components and are measured as part of the insurance contacts.

The Company has reinsurance contracts issued which contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts and are, therefore, non-distinct investment components which are not accounted for separately.

(iii) Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together and dividing each portfolio into annual cohorts and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous at initial recognition;
- any contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- any remaining contracts in the portfolio.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business.

The Company assesses and monitors the onerousity of a portfolio of insurance contracts at the local regulatory reporting product lines level to better align with the facts and circumstances and to minimise undue cost and effort. The Company deems the local regulatory reporting product lines level as sets of contracts that have similar insurance risk, are managed together, and are priced within the same insurance rate changes.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(iii) Level of aggregation (continued)

For the product lines deemed as onerous, these product lines are always priced with a low expected profitability margins due to the historical low price adequacy level of the market in which the Company operates in as a result of competition and or regulatory constraints on pricing.

All other contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

The level of aggregation for reinsurance contracts are similar to insurance contracts except for profitability:

- net gain position at initial recognition;
- at initial recognition, there is no significant possibility of a net gain arising subsequently; or
- any remaining contracts in the portfolio.

(iv) Recognition

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

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

A group of reinsurance contracts held is recognised at the earlier of:

- The beginning of the coverage period of the group; or
- The date the Company recognises an onerous group of underlying contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(v) Contract Boundary

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

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

(vi) Initial and subsequent measurement

*Insurance Contracts*

The Company applies the premium allocation approach ("PAA") to all the insurance contracts that it issues as the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage ("LRC") for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that are not onerous at initial recognition, the Company measures the LRC as:
- the amount of premiums, if any, received at initial recognition;
- decreased for any insurance acquisition cash flows at that date;
- increased or decreased for any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows; and
- any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(vi) Initial and subsequent measurement (continued)

*Insurance Contracts (continued)*

Subsequently, the Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period:

- increased by any premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- increased for any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period;
- increased for any adjustment to the financing component, where applicable;
- decreased by the amount recognised as insurance revenue for the services provided in the period; and
- decreased for any investment component paid or transferred to the liability for incurred claims.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the LRC for such onerous group depicting the losses recognised.

The Company does not adjust the LRC for insurance contracts issued for the effect of the time value of money, because most insurance premiums are due within the coverage period of contracts, which is one year or less.

The Company estimates the liability for incurred claims ("LIC") as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). Future cash flows are adjusted for the time value of money.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(vi) Initial and subsequent measurement (continued)

*Reinsurance Contracts*

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on to the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

On initial recognition, the remaining coverage for reinsurance contracts held is:
- the amount of ceding premiums paid;
- increased by broker fees paid to a party other than the reinsurance; and
- increased by any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

At each of the subsequent reporting dates, the remaining coverage for reinsurance contracts held is:
- increased for ceding premiums paid in the period;
- increased for broker fees paid in the period; and
- decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(vi) Initial and subsequent measurement (continued)

*Insurance acquisition cash flows*

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

The Company uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts; and
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

The Company does not have any insurance acquisition cash flows for renewals outside the contract boundary as of the reporting date.

(vii) Derecognition and contract modification

The Company derecognises a contract when it is extinguished, i.e., when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Insurance and reinsurance contracts (continued)

(viii) Presentation

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

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

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

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

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

*(1) Insurance revenue*

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

*(2) Insurance service expenses*

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- incurred claims and other insurance service expenses
- losses on onerous contracts and reversals of such losses
- adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein
- Impairment losses on assets for insurance acquisition cash flows and its reversals

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(I) Insurance and reinsurance contracts (continued)

(viii) Presentation (continued)

*(3) Net income or expense from reinsurance contracts held*

Net income or expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the Company of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

*(4) Insurance finance income or expenses*

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Other revenue recognition

(i) Rental income

Rental income from investment property is recognised on an accrual basis and straight-line basis over the term of the lease.

(ii) Investment income

Interest income from securities such government securities, bonds and loan stocks are recognised using the effective interest rate method.

The interest income from fixed deposits with financial institutes, are recognised in the financial statements on the accrual basis.

Dividend income is recognised when the right to receive payment is established.

(n) Foreign currencies

(i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

(ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at that date.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies (continued)

(ii) Transactions and balances in foreign currencies (continued)

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in profit or loss for the period.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any corresponding exchange gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

(o) Employee benefits

(i) Short term benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

The Company pays fixed contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan.

The Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the EPF. The Company's contributions to the EPF are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

## 2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### (o) Employee benefits (continued)

#### (iii) Share-based long term incentive plan

The eligible employees of the Company participate in an equity-settled, share-based long term incentive plan offered by its ultimate holding company, Chubb Limited ("Chubb"). The long-term incentive plan consists of a restricted share grant plan, a restricted share option plan and an employee share participation plan.

Employees' services received in exchange for the share-based long term incentive plan are recognised as an expense in the Company's profit or loss over the vesting period of the grant with a corresponding increase in equity reserves.

The annual expense is based on an amortised calculation that is reflective of the current financial year's expense portion of all share grants issued in the current and prior financial years. There is no liability to the Company for the unamortised portion of the share grants issued. The amortised calculation incorporates the fair market value of Chubb's common stock at grant date, in determining the expense amount.

At each date of statement of financial position, the Company revises its estimate of the number of options that are expected to become vest. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity reserves over the remaining vesting period.

### (p) Income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are outlined below.

(a) Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under MFRS 4 'Insurance Contracts'. However, when measuring liabilities for incurred claims, the Company now discounts projected future claims payment, both gross and net of reinsurance and other recoveries and associated claims handling costs, to a present value using risk-free discount rates (derived from market yields on government bonds) to reflect the time value of money. The explicit risk adjustment for non-financial risk is set as the provision of risk margin for adverse deviation ("PRAD").

(i) Liability for remaining coverage – Onerous groups

The Company has assessed and identified insurance contracts that are onerous based on the facts and circumstances which indicate that the contracts are onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

Loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

(ii) Liability for incurred claims

Liabilities for incurred claims for each group of business are estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development, claims payment and the direct and indirect claims-related expenses. Risk adjustment on non-financial risk (PRAD) was also included in liabilities for incurred claims. PRAD is a component of the value of the insurance liabilities which is set at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. For the purpose of this valuation basis, the level of confidence is at 75% at an overall Company level.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Insurance and reinsurance contracts (continued)

(ii) Liability for incurred claims (continued)

The final selected estimates are based on a judgemental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term to settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

The ultimate costs of outstanding claims were assessed using four standard actuarial valuation methods:

- Chain Ladder method on incurred claims and paid claims
- Average Claim Size method
- Bornhuetter-Ferguson method on incurred claims and paid claims
- Expected loss ratio method

The key assumptions and the sensitivity analysis of liabilities of incurred claims are disclosed in Note 21(e) to the financial statements.

*Discount rates*

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of government bonds. The illiquidity premium adjustment is set as zero.

Discount rates applied for discounting of future cash flows are listed below:

| | 1 year | | 5 years | | 10 years | | 20 years | | 30 years | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| MYR | 3.20% | 3.37% | 3.59% | 3.86% | 3.82% | 4.09% | 4.26% | 4.57% | 4.24% | 4.52% |
| USD | 4.76% | 5.07% | 3.50% | 3.95% | 3.45% | 3.75% | 3.46% | 3.63% | 3.23% | 3.27% |

(iii) Transition

The Company has adopted MFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The Company has determined that it would be impracticable to apply the full retrospective approach and has applied modified retrospective approach to estimate the opening balance of the LRC on transition by estimating the balances of the LRC from the date the contract is recognised until the transition date.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Leases - extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## 4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION

### (a) MFRS 17 'Insurance Contracts'

MFRS 17 'Insurance Contracts' was issued in May 2017, replacing MFRS 4 'Insurance Contracts' for annual periods on or after 1 January 2023. This standard provides comprehensive guidance on the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts held.

The Company has adopted the standard retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The nature of the changes in the accounting policies can be summarized as follows:

#### (i) Classification and measurement

The adoption of MFRS 17 did not change the classification of the Company's insurance contracts.

The Company's insurance contracts are measured using the premium allocation approach ("PAA"). MFRS 17 provides an option to use PAA, for contracts that have a coverage period of one year or less or if certain eligibility criteria are met for longer term contracts. The PAA simplifies the measurement of insurance contracts in comparison with the general model in MFRS 17.

The accounting under the PAA is largely similar to the current approach under MFRS 4. The Company has defined its units of account for insurance contracts issued to align with the lines of business managed within the Company. Each line of business includes contracts that are subject to similar risks. All insurance contracts within the line of business represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

- contracts that are onerous at initial recognition;
- contracts that have no significant possibility of becoming onerous subsequently; and
- a group of remaining contracts.

4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION (CONTINUED)

(a) MFRS 17 'Insurance Contracts' (continued)

(i) Classification and measurement (continued)

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. For reinsurance contracts held, the unit of account corresponds to the legal form of the reinsurance contract held.

The Company measures the LRC for insurance contracts issued at the amount of premiums received, less any acquisition cash flows paid. For reinsurance contracts held, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer.

The LIC is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

Contracts are recognised as onerous if they are expected to be loss making at inception. These contracts form their own groups, and expected losses are immediately recognised in profit or loss.

(ii) Presentation and disclosure

There are significant changes to presentation and disclosure of the financial statements upon the adoption of MFRS 17. The following outlines some of the key presentation and disclosure changes:

<u>Statement of financial position</u>

Under MFRS 17, the assets and liabilities associated with insurance contracts issued will be presented as insurance contract assets and insurance contract liabilities and assets and liabilities associated with reinsurance contracts held will be presented as reinsurance contract assets and reinsurance contract liabilities. Insurance and reinsurance contract balances will comprise of the LIC and LRC.

If facts and circumstances indicate that a group of insurance contracts is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC with the amount of such an increase recognised in insurance service expenses and a loss component is established for the amount of the loss recognised.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised.

4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION (CONTINUED)

(a) MFRS 17 'Insurance Contracts' (continued)

(ii) Presentation and disclosure (continued)

Statement of comprehensive income

The statement of comprehensive income will reflect insurance revenue as the key revenue line, while insurance service expenses will capture the Company's gross losses and expenses associated with servicing policies. Results associated with reinsurance, both premium and claim related, will be reflected in 2 lines, premiums and recoverables from reinsurance contracts held. Insurance finance income/ expense will mainly include the accretion of the discount rate on insurance contracts and reinsurance contracts held and impact of changes in interest rates.

Underwriting performance will be presented in the statement of comprehensive income under insurance service result which will be composed of:

- insurance revenue which includes premiums related to direct and assumed business allocated based on the passage of time over the coverage period of a group of insurance contracts, similar to MFRS 4.
- insurance service expenses which include incurred claims and expenses related to direct and assumed business, amortisation of insurance acquisition cash flows, and losses and reversal of losses on onerous contracts.
- allocation of reinsurance premiums related to ceded business.
- amounts recoverable from reinsurers for incurred claims.

(b) MFRS 9 'Financial Instruments'

MFRS 9 'Financial Instruments' was issued in 2014, replacing MFRS 139 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after January 1, 2018 except for entities whose liabilities are primarily insurance contract liabilities. The Company has elected, under the amendments to MFRS 4, to apply the temporary exemption from MFRS 9, there by deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17.

The Company has applied the standard retrospectively from 1 January 2023, with the restated financial results on comparatives for 2022 for financial instruments in the scope of MFRS 9. The key changes to the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below.

4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION (CONTINUED)

(b) MFRS 9 'Financial instruments' (continued)

(i) Classification and measurement

MFRS 9 requires financial assets to be classified either at amortised cost, FVOCI or FVTPL. Classification under MFRS 9 for financial assets depends on the Company's business model for managing the financial assets and whether the contractual cashflows represent SPPI. The Company's business model is how the Company manages its financial assets in order to generate cashflows and create value for the entity either from collecting contractual cashflows, selling financial assets or both. If a financial asset is held to collect contractual cashflows, it is classified as amortised cost if it also meets the SPPI requirement. Financial assets that meet the SPPI requirement that are held both to collect the assets' contractual cashflows and to sell the assets are classified as FVOCI.

Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, the Company can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The gains or losses of debt instruments initially classified as FVOCI are recycled to profit or loss on derecognition.

The Company at initial recognition has elected to designate all of its debt instruments at FVTPL to reduce the accounting mismatch arising from the recognition of the changes in MFRS 17 discount rates (and other financial market assumptions) in profit or loss. All other financial assets are classified as amortised cost.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities. The Company has not changed the classification of its financial liabilities.

(ii) Impairment

MFRS 9 requires the Company to record expected credit losses on all of its financial assets not measured at FVTPL. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. The quantitative impact of applying MFRS 9 is disclosed in Note 4(b)(iii) below.

4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION (CONTINUED)

(b) MFRS 9 'Financial instruments' (continued)

(iii) Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets as at transition.

Financial assets

| | Original classification under MFRS 139 | New classification under MFRS 9 | Original carrying amount under MFRS 139 | | New carrying amount under MFRS 9 | |
|---|---|---|---|---|---|---|
| | | | 31.12.2022 RM'000 | 01.01.2022 RM'000 | 31.12.2022 RM'000 | 01.01.2022 RM'000 |
| Investments | Available-for-sale | Fair value through profit or loss | 1,299,880 | 1,339,400 | 1,299,880 | 1,339,400 |
| Other receivables (excluding prepayments) | Loans and receivables | Amortised cost | 48,924 | 54,158 | 48,924 | 54,158 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 344,978 | 247,400 | 344,978 | 247,400 |
| Total financial assets | | | 1,693,782 | 1,640,958 | 1,693,782 | 1,640,958 |

Financial liabilities

There were no changes to the Company's classification and measurement of the financial liabilities on the adoption of MFRS 9.

## 4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION (CONTINUED)

### (c) Impact of the adoption of MFRS 17 and MFRS 9

The following table reconciles the opening of Statement of Financial Position and the related impact of the adoption of MFRS 17 and MFRS 9 at 1 January 2022.

| | As reported as at 31.12.2021 RM'000 | Impact of adoption of MFRS 17 and MFRS 9 RM'000 | Restated balance as at 01.01.2022 RM'000 |
|---|---|---|---|
| ASSETS | | | |
| Property and equipment | 43,416 | - | 43,416 |
| Right-of-use | 2,479 | - | 2,479 |
| Intangible assets | 7,679 | - | 7,679 |
| Investments | 1,339,400 | - | 1,339,400 |
| Reinsurance contract assets | 263,196 | 421 | 263,617 |
| Insurance receivables | 96,269 | (96,269) | - |
| Other receivables | 49,279 | 5,442 | 54,721 |
| Deferred tax assets | 21,502 | (20,755) | 747 |
| Cash and cash equivalents | 247,400 | - | 247,400 |
| Total assets | 2,070,620 | (111,161) | 1,959,459 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 100,000 | - | 100,000 |
| Retained earnings | 762,870 | 57,695 | 820,565 |
| Available-for-sale fair value reserve | (8,027) | 8,027 | - |
| Equity reserve | 8,660 | - | 8,660 |
| Total equity | 863,503 | 65,722 | 929,225 |
| Insurance contract liabilities | 973,602 | (121,822) | 851,780 |
| Reinsurance contract liabilities | - | - | - |
| Investment contract liabilities | 681 | (681) | - |
| Insurance payables | 55,132 | (55,132) | - |
| Lease liabilities | 2,516 | - | 2,516 |
| Current tax liabilities | 16,785 | - | 16,785 |
| Other payables | 158,401 | 752 | 159,153 |
| Total liabilities | 1,207,117 | (176,883) | 1,030,234 |
| Total equity and liabilities | 2,070,620 | (111,161) | 1,959,459 |

4 EFFECTS OF MFRS 17 AND MFRS 9 ADOPTION (CONTINUED)

(c) Impact of the adoption of MFRS 17 and MFRS 9 (continued)

The following table reconciles the opening of Statement of Financial Position and the related impact of the adoption of MFRS 17 and MFRS 9 at 31 December 2022.

| | As reported as at 31.12.2022 RM'000 | Impact of adoption of MFRS 17 and MFRS 9 RM'000 | Restated balance as at 31.12.2022 RM'000 |
|---|---|---|---|
| ASSETS | | | |
| Property and equipment | 40,833 | - | 40,833 |
| Right-of-use | 1,694 | - | 1,694 |
| Intangible assets | 9,371 | - | 9,371 |
| Investments | 1,299,880 | - | 1,299,880 |
| Reinsurance contract assets | 314,349 | 7,735 | 322,084 |
| Insurance receivables | 110,407 | (110,407) | - |
| Other receivables | 45,379 | 4,528 | 49,907 |
| Deferred tax assets | 24,940 | (24,478) | 462 |
| Cash and cash equivalents | 344,978 | - | 344,978 |
| Total assets | 2,191,831 | (122,622) | 2,069,209 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 100,000 | - | 100,000 |
| Retained earnings | 873,237 | 55,967 | 929,204 |
| Available-for-sale fair value reserve | (21,547) | 21,547 | - |
| Equity reserve | 7,982 | - | 7,982 |
| Total equity | 959,672 | 77,514 | 1,037,186 |
| Insurance contract liabilities | 1,022,214 | (150,394) | 871,820 |
| Reinsurance contract liabilities | - | 111 | 111 |
| Investment contract liabilities | 530 | (530) | - |
| Insurance payables | 45,680 | (45,680) | - |
| Lease liabilities | 1,758 | - | 1,758 |
| Current tax liabilities | 7,010 | - | 7,010 |
| Other payables | 154,967 | (3,643) | 151,324 |
| Total liabilities | 1,232,159 | (200,136) | 1,032,023 |
| Total equity and liabilities | 2,191,831 | (122,622) | 2,069,209 |

5 PROPERTY AND EQUIPMENT

| | Freehold land RM'000 | Buildings RM'000 | Computers RM'000 | Office equipment, furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| At 1 January 2022 | 15,206 | 36,071 | 16,218 | 20,123 | 740 | 88,358 |
| Additions | - | - | 1,114 | 626 | - | 1,740 |
| Disposals | (161) | (239) | - | (1,156) | (180) | (1,736) |
| Write-offs | - | - | (2,454) | (634) | - | (3,088) |
| At 31 December 2022 | 15,045 | 35,832 | 14,878 | 18,959 | 560 | 85,274 |
| Additions | - | - | 1,145 | 1,339 | - | 2,484 |
| Disposals | - | - | - | - | (449) | (449) |
| Write-offs | - | - | (1,254) | (367) | - | (1,621) |
| At 31 December 2023 | 15,045 | 35,832 | 14,769 | 19,931 | 111 | 85,688 |
| Accumulated depreciation | | | | | | |
| At 1 January 2022 | - | 13,393 | 14,202 | 16,791 | 556 | 44,942 |
| Depreciation charge for the financial year (Note 17) | - | 770 | 1,268 | 1,792 | 15 | 3,845 |
| Disposals | - | (133) | - | (1,029) | (130) | (1,292) |
| Write-offs | - | - | (2,454) | (600) | - | (3,054) |
| At 31 December 2022 | - | 14,030 | 13,016 | 16,954 | 441 | 44,441 |
| Depreciation charge for the financial year (Note 17) | - | 765 | 963 | 690 | 3 | 2,421 |
| Disposals | - | - | - | - | (349) | (349) |
| Write-offs | - | - | (1,254) | (349) | - | (1,603) |
| At 31 December 2023 | - | 14,795 | 12,725 | 17,295 | 95 | 44,910 |
| Net carrying amount | | | | | | |
| 31 December 2023 | 15,045 | 21,037 | 2,044 | 2,636 | 16 | 40,778 |
| 31 December 2022 | 15,045 | 21,802 | 1,862 | 2,005 | 119 | 40,833 |
| 1 January 2022 | 15,206 | 22,678 | 2,016 | 3,332 | 184 | 43,416 |

## 6 LEASES

The Company as a lessee

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(a) Right-of-use assets

| | 31.12.2023 RM'000 | 31.12.2022 RM'000 | 01.01.2022 RM'000 |
|---|---|---|---|
| Carrying amount of right-of-use assets by class of underlying assets: | | | |
| Offices | 1,374 | 1,033 | 1,529 |
| Equipment | 395 | 661 | 950 |
| Motor vehicles | 246 | - | - |
| | 2,015 | 1,694 | 2,479 |
| Additions to the right-of-use assets during the financial year | 1,404 | 326 | 1,437 |
| Depreciation charge of right-of-use assets by class of underlying assets (Note 17): | | | |
| Offices | (781) | (815) | (897) |
| Equipment | (279) | (296) | (254) |
| Motor vehicles | (23) | - | - |
| | (1,083) | (1,111) | (1,151) |

(b) Lease liabilities

| | 31.12.2023 RM'000 | 31.12.2022 RM'000 | 01.01.2022 RM'000 |
|---|---|---|---|
| Current | 1,004 | 911 | 955 |
| Non-current | 943 | 847 | 1,561 |
| | 1,947 | 1,758 | 2,516 |
| Interest expenses | (99) | (128) | (135) |
| Total cash outflows for leases | (1,307) | (1,211) | (1,263) |

6 LEASES (CONTINUED)

The Company as a lessee (continued)

(b) Lease liabilities (continued)

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

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000 |
|---|---|---|
| At 1 January | 1,758 | 2,516 |
| Additions | 1,404 | 326 |
| Interest expense | 99 | 128 |
| Cash flows | (1,307) | (1,211) |
| Lease modification | (7) | (1) |
| At 31 December | 1,947 | 1,758 |

The Company as a lessor

The Company leases out its building under operating leases with rentals payable monthly. The Company classifies it as operating lease as the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000 |
|---|---|---|
| Rental income | 1,311 | 1,362 |

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000 |
|---|---|---|
| Within one year | 655 | 2,118 |
| Later than one year but not later than 3 years | - | 655 |
| | 655 | 2,773 |

## 7 INTANGIBLE ASSETS

| | Computer software RM'000 | Work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|
| Cost | | | |
| At 1 January 2022 | 19,119 | 604 | 19,723 |
| Additions | - | 3,781 | 3,781 |
| Write-offs | (236) | - | (236) |
| Reclassification | 3,793 | (3,793) | - |
| At 31 December 2022 | 22,676 | 592 | 23,268 |
| Additions | 812 | 2,223 | 3,035 |
| Write-offs | (1,255) | - | (1,255) |
| Reclassification | 2,652 | (2,652) | - |
| At 31 December 2023 | 24,885 | 163 | 25,048 |
| Accumulated amortisation | | | |
| At 1 January 2022 | 12,044 | - | 12,044 |
| Amortisation for the financial year (Note 17) | 2,089 | - | 2,089 |
| Write-offs | (236) | - | (236) |
| At 31 December 2022 | 13,897 | - | 13,897 |
| Amortisation for the financial year (Note 17) | 2,698 | - | 2,698 |
| Write-offs | (1,255) | - | (1,255) |
| At 31 December 2023 | 15,340 | - | 15,340 |
| Net carrying amount | | | |
| 31 December 2023 | 9,545 | 163 | 9,708 |
| 31 December 2022 | 8,779 | 592 | 9,371 |
| 1 January 2022 | 7,075 | 604 | 7,679 |

## 8 INVESTMENTS

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Malaysian government securities and guaranteed loans | 956,526 | 747,908 | 778,790 |
| Debt securities | 526,925 | 551,597 | 560,235 |
| Equity securities | 375 | 375 | 375 |
| | 1,483,826 | 1,299,880 | 1,339,400 |
| Fair value through profit or loss ("FVTPL") | 1,483,826 | 1,299,880 | 1,339,400 |
| The following instruments mature after 12 months: | | | |
| Malaysian government securities and guaranteed loans | 785,033 | 545,063 | 493,284 |
| Debt securities | 380,738 | 421,135 | 529,696 |
| | 1,165,771 | 966,198 | 1,022,980 |

(a) FVTPL

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Fair value | | | |
| Unquoted equity securities | 375 | 375 | 375 |
| Unquoted debt securities | 526,925 | 551,597 | 560,235 |
| Malaysian government securities and guaranteed loans | 956,526 | 747,908 | 778,790 |
| | 1,483,826 | 1,299,880 | 1,339,400 |

8 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

| | FVTPL<br>RM'000 |
|---|---|
| At 1 January 2022, restated | 1,339,400 |
| Purchases | 570,741 |
| Maturities | (365,000) |
| Disposals | (222,964) |
| Realised gains in profit or loss | 2,698 |
| Fair value losses recorded in profit or loss | (17,790) |
| Net change in interest receivables | (445) |
| Amortisation of premium | (6,760) |
| At 31 December 2022, restated | 1,299,880 |
| Purchases | 721,650 |
| Maturities | (420,000) |
| Disposals | (136,987) |
| Realised gains in profit or loss | 2,091 |
| Fair value gains recorded in profit or loss | 20,950 |
| Net change in interest receivables | 2,629 |
| Amortisation of premium | (6,387) |
| At 31 December 2023 | 1,483,826 |

(c) Estimation of fair values

Fair value hierarchy

Included in the quoted market price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis (Level 1).

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes (Level 2).

8 INVESTMENTS (CONTINUED)

(c) Estimation of fair values (continued)

Fair value hierarchy (continued)

Financial instruments that are valued not based on observable market data are categorised as Level 3.

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Fair value investments | | | |
| Valuation techniques | | | |
| - market observable inputs (Level 2) | 1,483,451 | 1,299,505 | 1,339,025 |
| - unobservable inputs (Level 3) | 375 | 375 | 375 |
| | 1,483,826 | 1,299,880 | 1,339,400 |

There are no investments that are valued based on Level 1 category.

9 OTHER RECEIVABLES

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Amount due from Malaysian Motor Insurance Pool ("MMIP") | | | |
| - Cash contribution to MMIP | 5,859 | 10,859 | 12,859 |
| - Assets held under MMIP | 32,248 | 29,849 | 32,008 |
| Deposits | 649 | 652 | 751 |
| Other receivables | 8,683 | 8,547 | 9,103 |
| | 47,439 | 49,907 | 54,721 |
| Current | 46,790 | 49,255 | 53,970 |
| Non-current | 649 | 652 | 751 |
| | 47,439 | 49,907 | 54,721 |

As at 31 December 2023, there is a net receivable of RM22,954,000 (2022: RM23,160,000 net receivable) from MMIP, after setting off the amounts receivable from MMIP against the Company's share of MMIP's insurance contract liabilities of RM15,154,000 (2022: RM17,548,000) included in Note 14 to the financial statements.

The carrying amounts disclosed above approximate fair values at the reporting date.

## 10 DEFERRED TAX ASSETS/(LIABILITIES)

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated |
|---|---|---|
| At beginning of financial year | 462 | 747 |
| Recognised in profit or loss (Note 18) | (5,828) | (285) |
| At end of financial year | (5,366) | 462 |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes related to the same authority. The following amounts determined after appropriate set off are shown in the statement of financial position:

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated |
|---|---|---|
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | - | 462 |
| Deferred tax liabilities | (5,366) | - |

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

| | Allowance for impairment RM'000 | Right-of-use assets RM'000 | Lease liabilities RM'000 | Provisions RM'000 | Accelerated depreciation RM'000 | Amortisation of premium RM'000 | Fair value of securities RM'000 | Insurance contract liabilities/ Reinsurance contract assets RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 31.12.2023 | | | | | | | | | | |
| Deferred tax assets (before off-setting) | | | | | | | | | | |
| At beginning of financial year | 2,119 | - | 422 | 10,908 | - | 1,674 | 8,791 | - | 2,911 | 26,825 |
| Recognised in profit or loss | 74 | - | 45 | (147) | - | 602 | (5,028) | - | (1,040) | (5,494) |
| At end of financial year | 2,193 | - | 467 | 10,761 | - | 2,276 | 3,763 | - | 1,871 | 21,331 |
| Deferred tax liabilities (before off-setting) | | | | | | | | | | |
| At beginning of financial year | - | (407) | - | - | (1,188) | - | - | (24,478) | (290) | (26,363) |
| Recognised in profit or loss | - | (77) | - | - | (158) | - | - | (311) | 212 | (334) |
| At end of financial year | - | (484) | - | - | (1,346) | - | - | (24,789) | (78) | (26,697) |
| Deferred tax liabilities (after off-setting) | | | | | | | | | | (5,366) |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

| | Allowance for impairment RM'000 | Right-of-use assets RM'000 | Lease liabilities RM'000 | Provisions RM'000 | Accelerated depreciation RM'000 | Amortisation of premium RM'000 | Fair value of securities RM'000 | Insurance contract liabilities/ Reinsurance contract assets RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 31.12.2022 | | | | | | | | | | |
| Deferred tax assets (before off-setting) | | | | | | | | | | |
| At beginning of financial year | 2,331 | - | 604 | 12,404 | - | 138 | 4,521 | - | 3,559 | 23,557 |
| Recognised in profit or loss | (212) | - | (182) | (1,496) | - | 1,536 | 4,270 | - | (648) | 3,268 |
| At end of financial year | 2,119 | - | 422 | 10,908 | - | 1,674 | 8,791 | - | 2,911 | 26,825 |
| Deferred tax liabilities (before off-setting) | | | | | | | | | | |
| At beginning of financial year | - | (595) | - | - | (1,076) | - | - | (20,755) | (384) | (22,810) |
| Recognised in profit or loss | - | 188 | - | - | (112) | - | - | (3,723) | 94 | (3,553) |
| At end of financial year | - | (407) | - | - | (1,188) | - | - | (24,478) | (290) | (26,363) |
| Deferred tax assets (after off-setting) | | | | | | | | | | 462 |

## 11 SHARE CAPITAL

| | 31.12.2023 RM'000 | 31.12.2022 RM'000 | 01.01.2022 RM'000 |
|---|---|---|---|
| Issued and paid up: | | | |
| 100,000,000 ordinary shares with no par value | | | |
| At beginning and end of financial year | 100,000 | 100,000 | 100,000 |

## 12 RETAINED EARNINGS

Under the single-tier tax system which came into effect on 1 January 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are single-tier dividends and are tax exempt on the hands of shareholders.

As at 31 December 2023, the Company is already under the single-tier tax system. The Company also has no tax exempt income available for future distribution of tax exempt dividends.

The Company may distribute single tier tax exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51 (1) of the Financial Services Act 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

The eligible employees of the Company participate in an equity-settled, share-based long term incentive plan offered by its ultimate holding company, Chubb Limited. The long term incentive plan consists of a restricted share grant plan, a restricted share option plan and an employee share participation plan.

## 13 EQUITY RESERVE

Restricted Share Grant Plan

Under Chubb's long term incentive plan, 2,032 restricted ordinary shares were awarded during the financial year ended 31 December 2023 to the eligible employees of the Company. These shares vest at various dates over a 4 year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a Company scheme with expenses incurred under the scheme charged out by Chubb to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current financial year's expense portion of all restricted share grants issued in the current and prior financial years and is consistent with the treatment required by MFRS 2 'Share-based Payment'. There is no liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb's common stock at the grant date, in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb to the eligible employees.

## 13 EQUITY RESERVE (CONTINUED)

Restricted Share Option Plan

Under Chubb's long term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at the issue date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a Company scheme with expenses incurred under the scheme charged out by Chubb to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Average exercise price per share | Share options | Average exercise price per share | Share options |
| | RM | Units | RM | Units |
| At beginning of financial year | | 27,768 | | 30,931 |
| Granted | 983.81 | 2,709 | 942.65 | 3,004 |
| Forfeited | 929.81 | (414) | 853.79 | (631) |
| Exercised | 509.83 | (4,030) | 528.56 | (5,074) |
| Transferred out | - | (2,209) | - | (462) |
| Transferred in | - | 76 | - | - |
| At end of financial year | | 23,900 | | 27,768 |

Out of the 23,900 outstanding options as at 31 December 2023, 19,158 options were exercisable. Options granted in 2023 resulted in 2,709 shares options being issued at the exercise price of RM983.81 each. 4,030 options were exercised in 2023 at the exercise price of RM509.83.

Out of the 27,768 outstanding options as at 31 December 2022, 22,116 options were exercisable. Options granted in 2022 resulted in 3,004 shares options being issued at the exercise price of RM942.65 each. 5,074 options were exercised in 2022 at the exercise price of RM528.56.

## 13 EQUITY RESERVE (CONTINUED)

Restricted Share Option Plan (continued)

Share options outstanding at the end of the financial year have the following expiry date and exercise prices:

| | Exercise price per share | Share Option 2023 | Share Option 2022 |
|---|---|---|---|
| | RM | Units | Units |
| 2023 | 402.72 | - | 2,591 |
| 2024 | 456.34 | 2,586 | 2,790 |
| 2025 | 541.33 | 2,736 | 2,996 |
| 2026 | 558.36 | 2,582 | 2,936 |
| 2027 | 655.61 | 2,814 | 3,124 |
| 2028 | 674.75 | 2,049 | 2,287 |
| 2029 | 631.51 | 2,302 | 2,629 |
| 2030 | 707.96 | 2,080 | 2,763 |
| 2031 | 777.90 | 2,099 | 2,982 |
| 2032 | 938.67 | 2,159 | 2,670 |
| 2033 | 983.81 | 2,493 | - |
| | | 23,900 | 27,768 |

The weighted average fair value of options granted during the financial year ended 31 December 2023 determined using the Black-Scholes valuation model was RM255.02 (2022: RM173.45) per option. The significant inputs into the model were share price of RM983.81 (2022: RM942.65), at the grant date, the exercise price shown above, volatility of 23.0% (2022: 20.00%), dividend yield of 1.65% (2022: 1.67%), an expected option life of 5 years and on annual risk-free interest rate of 4.04% (2022: 1.90%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Employee Share Purchase Plan

The Company collects monies from local eligible employees and acquires ordinary shares in Chubb on behalf of the employees on a bi-annual basis. The price paid by the eligible employees is set at a discount of 15% (2022: 15%) to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the Company level by Chubb and not reimbursed from the Company.

The total expenses of employee equity-settled share-based long term incentive plan for the financial year was RM2,228,915 (2022: RM1,079,638).

## 14 INSURANCE AND REINSURANCE CONTRACTS

| | Note | 31.12.2023 Assets | 31.12.2023 Liabilities | 31.12.2022 Assets | 31.12.2022 Liabilities | 01.01.2022 Assets | 01.01.2022 Liabilities |
|---|---|---|---|---|---|---|---|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Insurance contracts** | | | | | | | |
| Accident and Health | (a) | - | 63,573 | - | 51,925 | - | 56,887 |
| Property & Casualty | (b) | (13) | 508,079 | - | 542,331 | - | 483,044 |
| Motor | (c) | - | 280,821 | - | 277,564 | - | 311,849 |
| Total insurance contracts | | (13) | 852,473 | - | 871,820 | - | 851,780 |
| Expected to be settled more than 12 months after the reporting date | | - | 312,248 | - | 315,612 | - | 290,448 |
| **Reinsurance contracts** | | | | | | | |
| Accident and Health | | 6,432 | - | 5,248 | (111) | 12,637 | - |
| Property & Casualty and Motor | | 254,098 | - | 316,836 | - | 250,980 | - |
| Total insurance contracts | | 260,530 | - | 322,084 | (111) | 263,617 | - |
| Expected to be recovered more than 12 months after the reporting date | | 102,011 | - | 169,640 | 44 | 94,363 | - |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(a) Accident and Health – Insurance contracts

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 31 December 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 7,420 | - | 41,282 | 3,223 | 51,925 |
| | 7,420 | - | 41,282 | 3,223 | 51,925 |
| Insurance revenue from contracts measured under PAA | (184,265) | - | - | - | (184,265) |
| Insurance service expenses | | | | | |
| Incurred claims and directly attributable expenses | - | - | 57,472 | 2,218 | 59,690 |
| Amortisation of insurance acquisition cash flows | 38,190 | - | - | - | 38,190 |
| Losses on onerous contracts and reversals | - | - | - | - | - |
| Changes related to past service - liabilities for incurred claims | - | - | (6,378) | (2,076) | (8,454) |
| | 38,190 | - | 51,094 | 142 | 89,426 |
| Total insurance service result | (146,075) | - | 51,094 | 142 | (94,839) |
| Insurance finance expenses | | | | | |
| Insurance finance expenses | - | - | 1,788 | - | 1,788 |
| Effect of movements in exchange rates | 1 | - | - | - | 1 |
| | 1 | - | 1,788 | - | 1,789 |
| Total changes in the statement of comprehensive income | (146,074) | - | 52,882 | 142 | (93,050) |
| Investment components | (791) | - | 791 | - | - |
| Cash flows | | | | | |
| Premiums received | 184,013 | - | - | - | 184,013 |
| Claims and other insurance service expenses paid including investment component paid | - | - | (43,147) | - | (43,147) |
| Insurance acquisition cash flows | (36,168) | - | - | - | (36,168) |
| | 147,845 | - | (43,147) | - | 104,698 |
| At 31 December 2023 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 8,400 | - | 51,808 | 3,365 | 63,573 |
| | 8,400 | - | 51,808 | 3,365 | 63,573 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(a) Accident and Health – Insurance contracts (continued)

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component RM'000 | Loss component RM'000 | Present value of future cash flows RM'000 | Risk adjustment RM'000 | Total RM'000 |
| At 1 January 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 6,651 | - | 46,602 | 3,634 | 56,887 |
| | 6,651 | - | 46,602 | 3,634 | 56,887 |
| Insurance revenue from contracts measured under PAA | (162,457) | - | - | - | (162,457) |
| Insurance service expenses | | | | | |
| Incurred claims and directly attributable expenses | - | - | 40,395 | 1,831 | 42,226 |
| Amortisation of insurance acquisition cash flows | 33,005 | - | - | - | 33,005 |
| Losses on onerous contracts and reversals | - | - | - | - | - |
| Changes related to past service - liabilities for incurred claims | - | - | (13,996) | (2,242) | (16,238) |
| | 33,005 | - | 26,399 | (411) | 58,993 |
| Total insurance service result | (129,452) | - | 26,399 | (411) | (103,464) |
| Insurance finance expenses | | | | | |
| Insurance finance expenses | - | - | 1,090 | - | 1,090 |
| Effect of movements in exchange rates | 1 | - | - | - | 1 |
| | 1 | - | 1,090 | - | 1,091 |
| Total changes in the statement of comprehensive income | (129,451) | - | 27,489 | (411) | (102,373) |
| Investment components | (728) | - | 728 | - | - |
| Cash flows | | | | | |
| Premiums received | 163,152 | - | - | - | 163,152 |
| Claims and other insurance service expenses paid including investment component paid | - | - | (33,537) | - | (33,537) |
| Insurance acquisition cash flows | (32,204) | - | - | - | (32,204) |
| | 130,948 | - | (33,537) | - | 97,411 |
| At 31 December 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 7,420 | - | 41,282 | 3,223 | 51,925 |
| | 7,420 | - | 41,282 | 3,223 | 51,925 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(b) Property and Casualty – Insurance contracts

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 31 December 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 60,694 | 1,503 | 433,769 | 46,365 | 542,331 |
| | 60,694 | 1,503 | 433,769 | 46,365 | 542,331 |
| Insurance revenue from contracts measured under PAA | (359,011) | - | - | - | (359,011) |
| Insurance service expenses | | | | | |
| Incurred claims and directly attributable expenses | - | - | 155,259 | 14,408 | 169,667 |
| Amortisation of insurance acquisition cash flows | 68,939 | - | - | - | 68,939 |
| Losses on onerous contracts and reversals | - | (1,249) | - | - | (1,249) |
| Changes related to past service - liabilities for incurred claims | - | - | (98,585) | (15,682) | (114,267) |
| | 68,939 | (1,249) | 56,674 | (1,274) | 123,090 |
| Total insurance service result | (290,072) | (1,249) | 56,674 | (1,274) | (235,921) |
| Insurance finance expenses | | | | | |
| Insurance finance expenses | - | - | 18,845 | - | 18,845 |
| Effect of movements in exchange rates | 89 | - | 35 | - | 124 |
| | 89 | - | 18,880 | - | 18,969 |
| Total changes in the statement of comprehensive income | (289,983) | (1,249) | 75,554 | (1,274) | (216,952) |
| Investment components | - | - | - | - | - |
| Cash flows | | | | | |
| Premiums received | 347,467 | - | - | - | 347,467 |
| Claims and other insurance service expenses paid including investment component paid | - | - | (95,710) | - | (95,710) |
| Insurance acquisition cash flows | (69,070) | - | - | - | (69,070) |
| | 278,397 | - | (95,710) | - | 182,687 |
| At 31 December 2023 | | | | | |
| Insurance contract assets | (13) | - | - | - | (13) |
| Insurance contract liabilities | 49,121 | 254 | 413,613 | 45,091 | 508,079 |
| | 49,108 | 254 | 413,613 | 45,091 | 508,066 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(b) Property and Casualty – Insurance contracts (continued)

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 53,424 | 2,683 | 386,429 | 40,508 | 483,044 |
| | 53,424 | 2,683 | 386,429 | 40,508 | 483,044 |
| Insurance revenue from contracts measured under PAA | (350,847) | - | - | - | (350,847) |
| Insurance service expenses | | | | | |
| Incurred claims and directly attributable expenses | - | - | 170,491 | 15,277 | 185,768 |
| Amortisation of insurance acquisition cash flows | 69,711 | - | - | - | 69,711 |
| Losses on onerous contracts and reversals | - | (1,180) | - | - | (1,180) |
| Changes related to past service - liabilities for incurred claims | - | - | 3,543 | (9,420) | (5,877) |
| | 69,711 | (1,180) | 174,034 | 5,857 | 248,422 |
| Total insurance service result | (281,136) | (1,180) | 174,034 | 5,857 | (102,425) |
| Insurance finance expenses | | | | | |
| Insurance finance expenses | - | - | 8,966 | - | 8,966 |
| Effect of movements in exchange rates | 8 | - | 17 | - | 25 |
| | 8 | - | 8,983 | - | 8,991 |
| Total changes in the statement of comprehensive income | (281,128) | (1,180) | 183,017 | 5,857 | (93,434) |
| Investment components | - | - | - | - | - |
| Cash flows | | | | | |
| Premiums received | 356,750 | - | - | - | 356,750 |
| Claims and other insurance service expenses paid including investment component paid | - | - | (135,677) | - | (135,677) |
| Insurance acquisition cash flows | (68,352) | - | - | - | (68,352) |
| | 288,398 | - | (135,677) | - | 152,721 |
| At 31 December 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 60,694 | 1,503 | 433,769 | 46,365 | 542,331 |
| | 60,694 | 1,503 | 433,769 | 46,365 | 542,331 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(c) Motor – Insurance contracts

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 31 December 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 63,533 | 3,340 | 192,788 | 17,903 | 277,564 |
| | 63,533 | 3,340 | 192,788 | 17,903 | 277,564 |
| Insurance revenue from contracts measured under PAA | (147,678) | - | - | - | (147,678) |
| Insurance service expenses | | | | | |
| Incurred claims and directly attributable expenses | - | - | 110,866 | 6,291 | 117,157 |
| Amortisation of insurance acquisition cash flows | 21,602 | - | - | - | 21,602 |
| Losses on onerous contracts and reversals | - | 653 | - | - | 653 |
| Changes related to past service - liabilities for incurred claims | - | - | (14,207) | (6,247) | (20,454) |
| | 21,602 | 653 | 96,659 | 44 | 118,958 |
| Total insurance service result | (126,076) | 653 | 96,659 | 44 | (28,720) |
| Insurance finance expenses | | | | | |
| Insurance finance expenses | - | - | 7,215 | - | 7,215 |
| Effect of movements in exchange rates | - | - | - | - | - |
| | - | - | 7,215 | - | 7,215 |
| Total changes in the statement of comprehensive income | (126,076) | 653 | 103,874 | 44 | (21,505) |
| Investment components | - | - | - | - | - |
| Cash flows | | | | | |
| Premiums received | 145,076 | - | - | - | 145,076 |
| Claims and other insurance service expenses paid including investment component paid | - | - | (99,455) | - | (99,455) |
| Insurance acquisition cash flows | (20,859) | - | - | - | (20,859) |
| | 124,217 | - | (99,455) | - | 24,762 |
| At 31 December 2023 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 61,674 | 3,993 | 197,207 | 17,947 | 280,821 |
| | 61,674 | 3,993 | 197,207 | 17,947 | 280,821 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(c) Motor – Insurance contracts (continued)

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 74,656 | 5,623 | 212,182 | 19,388 | 311,849 |
| | 74,656 | 5,623 | 212,182 | 19,388 | 311,849 |
| Insurance revenue from contracts measured under PAA | (158,143) | - | - | - | (158,143) |
| Insurance service expenses | | | | | |
| Incurred claims and directly attributable expenses | - | - | 116,524 | 6,992 | 123,516 |
| Amortisation of insurance acquisition cash flows | 23,832 | - | - | - | 23,832 |
| Losses on onerous contracts and reversals | - | (2,283) | - | - | (2,283) |
| Changes related to past service - liabilities for incurred claims | - | - | (34,202) | (8,477) | (42,679) |
| | 23,832 | (2,283) | 82,322 | (1,485) | 102,386 |
| Total insurance service result | (134,311) | (2,283) | 82,322 | (1,485) | (55,757) |
| Insurance finance expenses | | | | | |
| Insurance finance expenses | - | - | 4,442 | - | 4,442 |
| Effect of movements in exchange rates | - | - | - | - | - |
| | - | - | 4,442 | - | 4,442 |
| Total changes in the statement of comprehensive income | (134,311) | (2,283) | 86,764 | (1,485) | (51,315) |
| Investment components | - | - | - | - | - |
| Cash flows | | | | | |
| Premiums received | 145,940 | - | - | - | 145,940 |
| Claims and other insurance service expenses paid including investment component paid | - | - | (106,158) | - | (106,158) |
| Insurance acquisition cash flows | (22,752) | - | - | - | (22,752) |
| | 123,188 | - | (106,158) | - | 17,030 |
| At 31 December 2022 | | | | | |
| Insurance contract assets | - | - | - | - | - |
| Insurance contract liabilities | 63,533 | 3,340 | 192,788 | 17,903 | 277,564 |
| | 63,533 | 3,340 | 192,788 | 17,903 | 277,564 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(d) Accident and Health – Reinsurance contracts

| | Assets for remaining coverage | | Assets for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss-recovery component | Loss-recovery component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 31 December 2022 | | | | | |
| Reinsurance contract assets | 460 | - | 4,491 | 297 | 5,248 |
| Reinsurance contract liabilities | (215) | - | 68 | 36 | (111) |
| | 245 | - | 4,559 | 333 | 5,137 |
| Net income/(expense) from reinsurance contracts held | | | | | |
| Allocation of reinsurance premiums paid | (12,617) | - | - | - | (12,617) |
| Recoveries of incurred claims and other insurance service expenses | - | - | 5,249 | 219 | 5,468 |
| Changes relating to past service - adjustments to incurred claims | - | - | (970) | (219) | (1,189) |
| Recoveries and reversals of recoveries of losses on onerous underlying | - | - | - | - | - |
| Effect of changes in the risk of reinsurers non-performance | - | - | - | - | - |
| | (12,617) | - | 4,279 | - | (8,338) |
| Reinsurance finance income | | | | | |
| Finance income from reinsurance contracts held | - | - | 230 | - | 230 |
| Effect of movements in exchange rates | 7 | - | (4) | - | 3 |
| | 7 | - | 226 | - | 233 |
| Total changes in the statement of comprehensive income | (12,610) | - | 4,505 | - | (8,105) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions | 12,693 | - | - | - | 12,693 |
| Recoveries from reinsurance | - | - | (3,293) | - | (3,293) |
| | 12,693 | - | (3,293) | - | 9,400 |
| At 31 December 2023 | | | | | |
| Reinsurance contract assets | 328 | - | 5,771 | 333 | 6,432 |
| Reinsurance contract liabilities | - | - | - | - | - |
| | 328 | - | 5,771 | 333 | 6,432 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(d) Accident and Health – Reinsurance contracts (continued)

| | Assets for remaining coverage | | Assets for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss-recovery component | Loss-recovery component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | | | | | |
| Reinsurance contract assets | 96 | - | 11,666 | 875 | 12,637 |
| Reinsurance contract liabilities | - | - | - | - | - |
| | 96 | - | 11,666 | 875 | 12,637 |
| Net income/(expense) from reinsurance contracts held | | | | | |
| Allocation of reinsurance premiums paid | (10,830) | - | - | - | (10,830) |
| Recoveries of incurred claims and other insurance service expenses | - | - | 3,139 | 152 | 3,291 |
| Changes relating to past service - adjustments to incurred claims | - | - | (6,907) | (694) | (7,601) |
| Recoveries and reversals of recoveries of losses on onerous underlying | - | - | - | - | - |
| Effect of changes in the risk of reinsurers non-performance | - | - | 1 | - | 1 |
| | (10,830) | - | (3,767) | (542) | (15,139) |
| Reinsurance finance income | | | | | |
| Finance income from reinsurance contracts held | - | - | 247 | - | 247 |
| Effect of movements in exchange rates | - | - | - | - | - |
| | - | - | 247 | - | 247 |
| Total changes in the statement of comprehensive income | (10,830) | - | (3,520) | (542) | (14,892) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions | 10,979 | - | - | - | 10,979 |
| Recoveries from reinsurance | - | - | (3,587) | - | (3,587) |
| | 10,979 | - | (3,587) | - | 7,392 |
| At 31 December 2022 | | | | | |
| Reinsurance contract assets | 460 | - | 4,491 | 297 | 5,248 |
| Reinsurance contract liabilities | (215) | - | 68 | 36 | (111) |
| | 245 | - | 4,559 | 333 | 5,137 |

14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(e) Property & Casualty and Motor – Reinsurance contracts

| | Assets for remaining coverage | | Assets for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss-recovery component RM'000 | Loss-recovery component RM'000 | Present value of future cash flows RM'000 | Risk adjustment RM'000 | Total RM'000 |
| At 31 December 2022 | | | | | |
| Reinsurance contract assets | 28,897 | 808 | 260,859 | 26,272 | 316,836 |
| Reinsurance contract liabilities | - | - | - | - | - |
| | 28,897 | 808 | 260,859 | 26,272 | 316,836 |
| Net income/(expense) from reinsurance contracts held | | | | | |
| Allocation of reinsurance premiums paid | (129,948) | - | - | - | (129,948) |
| Recoveries of incurred claims and other insurance service expenses | - | - | 66,559 | 6,795 | 73,354 |
| Changes relating to past service - adjustments to incurred claims | - | - | (61,449) | (10,291) | (71,740) |
| Recoveries and reversals of recoveries of losses on onerous underlying | - | (631) | - | - | (631) |
| Effect of changes in the risk of reinsurers non-performance | - | - | 6 | - | 6 |
| | (129,948) | (631) | 5,116 | (3,496) | (128,959) |
| Reinsurance finance income | | | | | |
| Finance income from reinsurance contracts held | - | - | 9,611 | - | 9,611 |
| Effect of movements in exchange rates | 5 | - | 21 | - | 26 |
| | 5 | - | 9,632 | - | 9,637 |
| Total changes in the statement of comprehensive income | (129,943) | (631) | 14,748 | (3,496) | (119,322) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions | 122,540 | - | - | - | 122,540 |
| Recoveries from reinsurance | - | - | (65,956) | - | (65,956) |
| | 122,540 | - | (65,956) | - | 56,584 |
| At 31 December 2023 | | | | | |
| Reinsurance contract assets | 21,494 | 177 | 209,651 | 22,776 | 254,098 |
| Reinsurance contract liabilities | - | - | - | - | - |
| | 21,494 | 177 | 209,651 | 22,776 | 254,098 |

## 14 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

### (e) Property & Casualty and Motor – Reinsurance contracts (continued)

| | Assets for remaining coverage | | Assets for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss-recovery component | Loss-recovery component | Present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | | | | | |
| Reinsurance contract assets | 15,516 | 1,503 | 212,412 | 21,549 | 250,980 |
| Reinsurance contract liabilities | - | - | - | - | - |
| | 15,516 | 1,503 | 212,412 | 21,549 | 250,980 |
| Net income/(expense) from reinsurance contracts held | | | | | |
| Allocation of reinsurance premiums paid | (111,611) | - | - | - | (111,611) |
| Recoveries of incurred claims and other insurance service expenses | - | - | 89,627 | 8,201 | 97,828 |
| Changes relating to past service - adjustments to incurred claims | - | - | 11,872 | (3,478) | 8,394 |
| Recoveries and reversals of recoveries of losses on onerous underlying | - | (695) | - | - | (695) |
| Effect of changes in the risk of reinsurers non-performance | - | - | 6 | - | 6 |
| | (111,611) | (695) | 101,505 | 4,723 | (6,078) |
| Reinsurance finance income | | | | | |
| Finance income from reinsurance contracts held | - | - | 4,892 | - | 4,892 |
| Effect of movements in exchange rates | 4 | - | 15 | - | 19 |
| | 4 | - | 4,907 | - | 4,911 |
| Total changes in the statement of comprehensive income | (111,607) | (695) | 106,412 | 4,723 | (1,167) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions | 124,988 | - | - | - | 124,988 |
| Recoveries from reinsurance | - | - | (57,965) | - | (57,965) |
| | 124,988 | - | (57,965) | - | 67,023 |
| At 31 December 2022 | | | | | |
| Reinsurance contract assets | 28,897 | 808 | 260,859 | 26,272 | 316,836 |
| Reinsurance contract liabilities | - | - | - | - | - |
| | 28,897 | 808 | 260,859 | 26,272 | 316,836 |

## 15 OTHER PAYABLES

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Accrued liabilities | 32,724 | 35,720 | 43,275 |
| Payroll liabilities | 8,638 | 7,770 | 8,014 |
| Deposit held on bonds | 59,897 | 62,041 | 68,425 |
| Advanced premium | 4,184 | 3,383 | 7,494 |
| Other payables | 29,472 | 42,410 | 31,945 |
| | 134,915 | 151,324 | 159,153 |
| Current | 119,045 | 133,224 | 139,909 |
| Non-current | 15,870 | 18,100 | 19,244 |
| | 134,915 | 151,324 | 159,153 |

The carrying amounts disclosed above approximate fair value at the reporting date.

## 16 TOTAL INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT

| | 2023<br>RM'000 | 2022<br>RM'000<br>Restated |
|---|---|---|
| Investment income | | |
| Interest income | 54,714 | 49,878 |
| Dividend income | | |
| - unquoted equity securities in Malaysia | 66 | 66 |
| Cash and cash equivalents - interest income | 5,822 | 5,106 |
| Amortisation of premium (Note 8) | (6,387) | (6,760) |
| Other investment expense from MMIP | 1,997 | (436) |
| Investment advisory fees and custodian charges | (2,121) | (2,013) |
| Net fair value gain/(loss) on financial assets | | |
| - Malaysian government securities and guaranteed loans | 9,391 | (11,397) |
| - Unquoted debt securities in Malaysia | 11,559 | (6,393) |
| Net realised gain | | |
| - Malaysian government securities and guaranteed loans | 1,203 | 1,623 |
| - Unquoted debt securities in Malaysia | 888 | 1,075 |
| Total investment income | 77,132 | 30,749 |

16 TOTAL INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT (CONTINUED)

| | 2023<br>RM'000 | 2022<br>RM'000<br>Restated |
|---|---|---|
| Insurance finance expenses for insurance contracts issued | | |
| Interest accreted to insurance contracts using current financial assumptions | (22,404) | (17,642) |
| Due to changes in interest rates and other financial assumptions | (5,444) | 3,144 |
| Total insurance finance expenses from insurance contracts issued | (27,848) | (14,498) |
| Reinsurance finance income for reinsurance contracts held | | |
| Interest accreted to reinsurance contracts using current financial assumptions | 7,815 | 6,130 |
| Due to changes in interest rates and other financial assumptions | 2,026 | (991) |
| Total reinsurance finance income from reinsurance contracts held | 9,841 | 5,139 |
| Net foreign exchange loss | (96) | (7) |
| Net insurance financial result | (18,103) | (9,366) |
| Total net investment income and net insurance financial result | 59,029 | 21,383 |

## 17 MANAGEMENT EXPENSES

| | Note | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|---|
| Employee benefits expense | 17(a) | 80,096 | 76,154 |
| Directors' remuneration | 17(b) | 834 | 795 |
| Auditors' remuneration | | | |
| - Statutory audit | | 522 | 424 |
| - Audit-related services | | 225 | 544 |
| - Non-audit services | | 30 | 85 |
| Depreciation of property and equipment | 5 | 2,421 | 3,845 |
| Depreciation of right-of-use assets | 6 | 1,083 | 1,111 |
| Property and equipment written off | | 18 | 34 |
| Amortisation of intangible assets | 7 | 2,698 | 2,089 |
| EDP expenses | | 15,152 | 16,553 |
| Advertising | | 7,162 | 6,407 |
| Printing and stationery | | 268 | 189 |
| Electricity and water | | 1,181 | 836 |
| Postage and telephone | | 356 | 360 |
| Regional technical service charges | | 12,548 | 11,338 |
| Outsourced services fees | | 13,653 | 17,479 |
| Other insurance expenses | | (28,045) | (30,073) |
| Other expenses | | 13,093 | 12,378 |
| | | 123,295 | 120,548 |

(a) Employee benefits expense

| | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|
| Wages and salaries | 54,986 | 53,724 |
| Social security contributions | 424 | 379 |
| Contributions to defined contribution plan EPF | 8,463 | 8,462 |
| Other benefits | 16,223 | 13,589 |
| | 80,096 | 76,154 |

17 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

The Directors' remuneration and other emoluments are as follows:

| | Fees RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|
| 2023 | | | |
| Executive Directors: | | | |
| Olivier Bouchard | 89 | 20 | 109 |
| Non-executive Directors: | | | |
| Dato Mohzani bin Abdul Wahab | 144 | 50 | 194 |
| Cheryl Khor Hui Peng | 131 | 47 | 178 |
| Dr. Heng Kiah Ngan | 131 | 39 | 170 |
| Susan Yuen Su Min | 134 | 49 | 183 |
| Total Directors' remuneration | 629 | 205 | 834 |

| | Fees RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|
| 2022 | | | |
| Executive Directors: | | | |
| Olivier Bouchard | 86 | 21 | 107 |
| Non-executive Directors: | | | |
| Dato Mohzani bin Abdul Wahab | 139 | 47 | 186 |
| Cheryl Khor Hui Peng | 127 | 36 | 163 |
| Dr. Heng Kiah Ngan | 127 | 36 | 163 |
| Susan Yuen Su Min | 130 | 46 | 176 |
| Total Directors' remuneration | 609 | 186 | 795 |

## 17 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

The number of executive and non-executive Directors whose total remuneration received during the financial year that fall within the following bands are as follows:

| | Number of Directors | |
|---|---|---|
| | 2023 | 2022 |
| Executive Directors: | | |
| RM1-RM100,000 | - | - |
| RM100,001-RM4,000,000 | 1 | 1 |
| Non-executive Directors: | | |
| RM1-RM100,000 | - | - |
| RM100,001-RM200,000 | 4 | 4 |

(c) Compensation of Key Management Personnel

The compensation of the key management personnel including Chief Executive Officer are as follows:

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Fixed remuneration** | | |
| Cash-based | 8,779 | 9,057 |
| Contributions to defined contribution plan, EPF | 693 | 868 |
| Benefits-in-kind and other remuneration | 380 | 386 |
| **Variable remuneration** | | |
| Cash-based | 2,049 | 1,647 |
| Contributions to defined contribution plan, EPF | 132 | 128 |
| Shares and share-linked instruments (Deferred) | 2,240 | 1,772 |
| Benefits-in-kind and other remuneration | 166 | 290 |
| | 14,439 | 14,148 |

All Senior Officers have received variable remuneration during the financial year.

| | Number of officers | | Amount (RM'000) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Guaranteed bonus | - | - | - | - |
| Sign-on awards | 1 | - | 250 | - |
| Severance payments | - | - | - | - |

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Deferred remuneration** | | |
| Outstanding shares and share-linked instruments as at 31 December | 3,317 | 3,845 |
| Shares and share-linked instruments paid during the year | 2,828 | 1,693 |

## 18 TAXATION

| | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|
| Current income tax: | | |
| Current financial year | 34,420 | 40,442 |
| Under/ (over) provision in prior financial years | 703 | (3,486) |
| | 35,123 | 36,956 |
| Deferred tax (Note 10): | | |
| Origination and reversal of temporary differences | 5,915 | (102) |
| (Over)/ under provision in prior financial years | (87) | 387 |
| | 5,828 | 285 |
| Total | 40,951 | 37,241 |

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

| | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|
| Profit before taxation | 160,107 | 145,880 |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | 38,426 | 35,010 |
| Special one-off tax (Cukai Makmur) at 33% | - | 4,484 |
| Income not subject to tax | (362) | (323) |
| Expenses not deductible for tax purposes | 2,184 | 1,556 |
| Under/ (over)-provision of tax in prior financial years | 703 | (3,486) |
| Tax expense for the financial year | 40,951 | 37,241 |

## 19 EARNINGS PER SHARE

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

| | 2023<br>RM'000 | 2022<br>RM'000<br>Restated |
|---|---|---|
| Net profit attributable to ordinary equity holders | 119,156 | 108,639 |
| Weighted average number of shares in issue | 100,000 | 100,000 |
| Basic earnings per share (sen) | 119.16 | 108.64 |

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

## 20 RELATED PARTY BALANCES AND TRANSACTIONS

The related parties of, and their relationship with the Company, are as follows:

| Company | Country of incorporation | Relationship |
|---|---|---|
| Chubb Limited | Switzerland | Ultimate holding company |
| Chubb INA International Holdings Ltd | United States | Immediate holding company |
| Chubb Tempest Reinsurance Ltd | Bermuda | Subsidiary of ultimate holding company |
| Chubb Tempest Reinsurance Ltd, Labuan Branch | Labuan | Subsidiary of ultimate holding company |
| Chubb Asia Pacific Pte Ltd | Singapore | Subsidiary of immediate holding |
| Chubb Services UK Limited | United Kingdom | Subsidiary of immediate holding company |
| Cover Direct, Inc | United States | Subsidiary of immediate holding company |
| Chubb Insurance Hong Kong Limited | Hong Kong | Subsidiary of immediate holding company |
| Chubb IT Development Centre Sdn Bhd | Malaysia | Subsidiary of immediate holding company |
| ACE INA Overseas Insurance Co Ltd | Bermuda | Subsidiary of immediate holding company |
| Chubb INA Overseas Insurance Co Ltd | Bermuda | Subsidiary of immediate holding company |
| Chubb INA Holdings Inc | United States | Subsidiary of ultimate holding company |
| Chubb International Management Corporation | United States | Subsidiary of immediate holding company |
| ACE American Fire and Marine Insurance Company Korea | Korea | Subsidiary of ultimate holding company |
| Chubb Business Services (A branch of Chubb Asia Pacific Pte Ltd) | Philippines | Subsidiary of immediate holding company |

## 20 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its ultimate holding company and related companies, being subsidiaries of Chubb Limited ("Chubb Company").

The significant related party balances as at the date of the statement of financial position and significant related party transactions arising from normal business transactions during the financial year are set out below.

| | Country | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|---|
| Significant related party balances: | | | | |
| Reinsurance contract assets – assets for remaining coverage | | | | |
| Chubb Tempest Reinsurance Ltd, Labuan Branch | Labuan | (10,820) | (10,141) | (11,059) |
| Chubb Tempest Reinsurance Ltd | Bermuda | - | (10) | (10) |
| Other related companies within Chubb Company | Others | - | (99) | (290) |
| Reinsurance contract assets – assets for incurred claims | | | | |
| Chubb Tempest Reinsurance Ltd, Labuan Branch | Labuan | 1,469 | 2,450 | 5,894 |
| Insurance contract liabilities – liabilities for remaining coverage | | | | |
| ACE INA Overseas Insurance Co Ltd | Bermuda | 269 | 248 | (13) |
| Chubb INA Overseas Insurance Co Ltd | Bermuda | 512 | 498 | 595 |
| Chubb Tempest Reinsurance Ltd | Bermuda | 371 | 619 | 372 |
| Chubb Insurance Hong Kong Limited | Hong Kong | (61) | (422) | (1,018) |
| Other related companies within Chubb Company | Others | (43) | (231) | (92) |
| Insurance contract liabilities – liabilities for incurred claims | | | | |
| Chubb Insurance Hong Kong Limited | Hong Kong | (91) | (83) | (152) |

## 20 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

| | Country | 31.12.2023 RM'000 | 31.12.2022 RM'000 Restated | 01.01.2022 RM'000 Restated |
|---|---|---|---|---|
| Significant related party balances (continued): | | | | |
| Other receivables | | | | |
| Chubb INA International Holdings Ltd | United States | - | 21 | 62 |
| Chubb Asia Pacific Pte Ltd | Singapore | 1,436 | 1,630 | 2,709 |
| Other related companies within Chubb Company | Others | 138 | 28 | 14 |
| Other payables | | | | |
| Chubb Asia Pacific Pte Ltd | Singapore | (12,673) | (11,011) | (12,111) |
| Chubb Services UK Limited | United Kingdom | (4,552) | (4,382) | (4,149) |
| Cover Direct, Inc | United States | (3,139) | (2,689) | (3,401) |
| Chubb IT Development Centre Sdn Bhd | Malaysia | (2,918) | (4,510) | (4,839) |
| Chubb INA Holdings Inc | United States | (395) | (339) | (256) |
| Chubb INA International Holdings Ltd | United States | - | (933) | (688) |
| Other related companies within Chubb Company | Others | (716) | (630) | (1,233) |

## 20 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

| | Country | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|---|
| Significant related party transactions: | | | |
| **Insurance revenue** | | | |
| ACE INA Overseas Insurance Co Ltd | Bermuda | 2,876 | 2,742 |
| Chubb INA Overseas Insurance Co Ltd | Bermuda | 7,134 | 9,529 |
| Chubb Tempest Reinsurance Ltd | Bermuda | 8,373 | 8,349 |
| Chubb Insurance Hong Kong Limited | Hong Kong | 610 | 1 |
| Other related companies within Chubb Company | Others | 1,609 | 1,245 |
| **Insurance service expense** | | | |
| ACE INA Overseas Insurance Co Ltd | Bermuda | (155) | (93) |
| Chubb INA Overseas Insurance Co Ltd | Bermuda | (859) | (539) |
| Chubb Tempest Reinsurance Ltd | Bermuda | (542) | (558) |
| Chubb Insurance Hong Kong Limited | Hong Kong | (1,032) | (716) |
| Other related companies within Chubb Company | Others | (229) | (454) |
| **Allocation of reinsurance premium** | | | |
| Chubb Tempest Reinsurance Ltd. Labuan Branch | Labuan | (104,120) | (87,919) |
| Other related companies within Chubb Company | Others | (875) | (1,056) |
| **Amounts recoverable from reinsurers for incurred claims** | | | |
| Chubb Tempest Reinsurance Ltd. Labuan Branch | Labuan | 7,483 | 70,399 |
| Other related companies within Chubb Company | Others | 573 | (181) |
| **Accounting and administration services** | | | |
| Chubb IT Development Centre Sdn Bhd | Malaysia | 240 | 240 |
| **Rental and parking income** | | | |
| Chubb IT Development Centre Sdn Bhd | Malaysia | 1,361 | 1,422 |

## 20 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

| | Country | 2023 RM'000 | 2022 RM'000 Restated |
|---|---|---|---|
| Significant related party transactions (continued): | | | |
| EDP system charges | | | |
| Chubb Services UK Limited | United Kingdom | (4,415) | (4,414) |
| Cover Direct, Inc | United States | (2,520) | (2,061) |
| Chubb IT Development Centre Sdn Bhd | Malaysia | (2,918) | (4,524) |
| Chubb INA Holdings Inc | United States | (391) | (340) |
| ACE American Fire and Marine Insurance Company Korea | Korea | (13) | (12) |
| Technical support and consultancy services | | | |
| Chubb Asia Pacific Pte Ltd | Singapore | (12,444) | (11,246) |
| Cover Direct, Inc | United States | (37) | (41) |
| Service fees and others | | | |
| Cover Direct, Inc | United States | (518) | (622) |
| Chubb International Management Corporation | United States | (107) | (87) |
| Chubb Business Service (Philippines) | Philippines | (260) | (213) |
| Employee share-based incentive plan | | | |
| Chubb Limited | Switzerland | (4,387) | (1,796) |

(b) The remuneration of directors and other key management personnel during the financial year are set out in Note 17 to the financial statements.

## 21 RISK MANAGEMENT FRAMEWORK

The Company recognises the importance of effective risk management practices and embedding risk culture within the Company and therefore, it is the commitment of the Company to integrate Enterprise Risk Management ("ERM") into strategic planning and decision making.

(a) Risk Appetite

The risk appetite outlines the degree of risk the Company is willing to assume in pursuit of its strategic objectives against the capital exposed to the risk. The risk appetite is formulated by the Board and is reviewed annually. The risk appetite articulates the risks, controls and returns for material exposures. The Company in general has a conservative risk appetite with a prudent Risk Management Framework in place.

(b) Risk Management Framework

The Company's RMF describes the role of ERM and helps the Company to achieve its business objectives, meet its corporate obligations and at the same time maintain the Company's reputation.

The RMF puts in place a structure and a process to mitigate risks as they are identified or emerge by assessing them against the Company's established appetite and tolerance levels, thus helping to protect and maintain the capital in the interests of all key stakeholders.

(c) Risk Governance and Oversight

The responsibility and oversight of ERM rests with the Board of Directors ("Board"), with the ERC responsible for oversight, policy development, execution and maintaining the appropriate infrastructure. Primary ownership for the daily execution of risk management and controls rests with the business and operating units.

The Board has ultimate risk management responsibility and is also responsible for providing the overall Company direction and strategy, setting financial objectives and for monitoring compliance with regulatory requirements and ethical standards. Chubb's Board has a specific charter setting out its duties and responsibilities. In discharging its responsibility for overall risk management and control, the Board delegates a number of key functions to the BRMC.

The ERC is charged with the responsibility of monitoring, assessing and reporting on risk related activities and meets at least once a quarter, and reports to the BRMC through the Chief Risk Officer ("CRO"). Its objective is to establish, maintain and monitor compliance within a sound risk management framework that integrates risk management into all activities of the business. Its role is to provide advice and assistance including submitting recommendations to the Board on risk management.

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Capital Management and Capital Adequacy

Prudent capital management is the foundation for ensuring the Company is able to fulfil its financial obligations to its shareholders, policyholders, regulators and other key stakeholders. The Board is ultimately responsible for determining that the Company's capital is adequate after taking into account the Company's strategic objectives, size and the complexity of its business.

The Company has separately documented its Internal Capital Adequacy Assessment Process ("ICAAP") to ensure that the capital held is adequate based on the Company's risk profile, business mix and complexity of operations. ICAAP outlines the procedures, systems, controls and personnel to identify, measure, monitor and manage the risks arising from capital related activities of the Company. Capital Management is a fundamental aspect of risk management. Capital adequacy assessments and stress tests are conducted on a regular basis, to ensure that sufficient capital is held to meet the minimum regulatory requirement with an additional buffer to withstand a range of adverse or extreme risk event scenarios.

(e) Major Risks

The Company considers insurance risks, financial risks and operational risks as its major risks.

1 Insurance Risk

The Company has in place underwriting guidelines which ensure that underwriting risk undertaken adhere to proper control procedures, to mitigate the Company's exposure to potential financial liabilities resulting from incurring higher claims cost than expected.

This is due to the nature of claims which can be unpredictable in frequency and severity, and the risk of change in legal or economic conditions affecting insurance pricing and conditions of insurance or reinsurance cover.

The underwriting and claims monitoring programme incorporates standards for underwriting procedures, policy retention limits, use of reinsurance and the setting of claims reserves. Underwriting standards are established to manage the initial insurability of customers. Renewal underwriting standards are in place for business that renews on a periodic basis.

1.1 Reinsurance risk

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other reinsurers or insurers. Reinsurance does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Company. In order to minimise losses from reinsurance insolvencies, the Company's reinsurance arrangement is in line with BNM's JPI/GPI 22 on "Guidelines on General Reinsurance Arrangement".

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.2 Concentration risk

The table below sets out the concentration of the Company's net insurance contract liabilities by portfolio.

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Accident & Health | 63,573 | 51,925 | 56,887 |
| Property & Casualty | 508,066 | 542,331 | 483,044 |
| Motor | 280,821 | 277,564 | 311,849 |
| | 852,460 | 871,820 | 851,780 |

The table below sets out the concentration of the Company's net insurance contract assets by portfolio.

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Accident & Health | 6,432 | 5,137 | 12,637 |
| Property & Casualty and Motor | 254,098 | 316,836 | 250,980 |
| | 260,530 | 321,973 | 263,617 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.3 Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling costs, claims inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation, affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

1.4 Sensitivity analysis

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit after tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. As the insurance contract liabilities are now discounted, there will be an additional sensitivity test analysis on the discount rates.

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.4 Sensitivity analysis (continued)

| | Change in assumptions RM'000 | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on profit after tax gross of reinsurance RM'000 | Impact on profit after tax net of reinsurance RM'000 | Impact on equity gross of reinsurance RM'000 | Impact on equity net of reinsurance RM'000 |
|---|---|---|---|---|---|---|---|
| 31 December 2023 | | | | | | | |
| Ultimate loss ratio for the latest accident year | + 10% | 34,702 | 26,893 | (26,374) | (20,439) | (26,374) | (20,439) |
| Average claims handling expenses | + 10% | 3,588 | 3,588 | (2,727) | (2,727) | (2,727) | (2,727) |
| Discount rate | + 1% | 10,363 | 6,916 | (7,876) | (5,256) | (7,876) | (5,256) |
| PRAD* | + 10% | 6,640 | 4,329 | (5,046) | (3,290) | (5,046) | (3,290) |
| Weighted average term to settlement | + 10% | (3,607) | (2,534) | 2,741 | 1,926 | 2,741 | 1,926 |
| 31 December 2022 | | | | | | | |
| Ultimate loss ratio for the latest accident year | + 10% | 35,041 | 24,706 | (26,631) | (18,777) | (26,631) | (18,777) |
| Average claims handling expenses | + 10% | 3,272 | 3,272 | (2,487) | (2,487) | (2,487) | (2,487) |
| Discount rate | + 1% | 10,331 | 6,296 | (7,852) | (4,785) | (7,852) | (4,785) |
| PRAD* | + 10% | 6,749 | 4,089 | (5,129) | (3,108) | (5,129) | (3,108) |
| Weighted average term to settlement | + 10% | (3,819) | (2,408) | 2,902 | 1,830 | 2,902 | 1,830 |

* Provision for Risk of Adverse Deviation

## 21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date.

The table provides a historical perspective on the adequacy of the unpaid claims estimates established in previous years. 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 reserve when there is considerable uncertainty. Generally, the uncertainty associated with ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence of adequacy of provision is relatively at its highest.

The Company believes that the estimate of the total claims outstanding as at 31 December 2023 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The Company has not disclosed previously unpublished information about claims development that occurred earlier than seven years before the end of the annual reporting period in which it first applies MFRS 17.

## 21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Gross estimated liabilities for incurred claims for 2023

| Accident year | 2016<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 |
|---|---|---|---|---|---|---|---|---|
| At end of accident year | 508,386 | 511,495 | 527,127 | 489,591 | 425,587 | 312,591 | 343,312 | 335,605 |
| One year later | 429,937 | 454,671 | 443,108 | 438,801 | 340,677 | 312,210 | 296,401 | |
| Two years later | 419,641 | 454,011 | 440,460 | 441,397 | 319,442 | 302,031 | | |
| Three years later | 411,250 | 449,465 | 440,330 | 426,935 | 310,411 | | | |
| Four years later | 409,981 | 443,059 | 440,046 | 418,462 | | | | |
| Five years later | 408,542 | 443,415 | 434,793 | | | | | |
| Six years later | 404,834 | 429,536 | | | | | | |
| Seven years later | 394,674 | | | | | | | |
| Current estimate of cumulative claims incurred | 394,674 | 429,536 | 434,793 | 418,462 | 310,411 | 302,031 | 296,401 | 335,605 |
| | | | | | | | | |
| At end of accident year | 158,548 | 180,681 | 181,004 | 157,632 | 117,828 | 73,508 | 88,761 | 88,465 |
| One year later | 319,636 | 332,828 | 319,242 | 281,458 | 200,748 | 175,803 | 163,393 | |
| Two years later | 365,672 | 380,641 | 356,089 | 324,900 | 230,426 | 211,393 | | |
| Three years later | 379,343 | 401,103 | 369,009 | 353,654 | 244,200 | | | |
| Four years later | 384,823 | 409,948 | 382,443 | 362,923 | | | | |
| Five years later | 386,822 | 414,284 | 392,927 | | | | | |
| Six years later | 389,169 | 416,504 | | | | | | |
| Seven years later | 392,597 | | | | | | | |
| Cumulative payments to-date | 392,597 | 416,504 | 392,927 | 362,923 | 244,200 | 211,393 | 163,393 | 88,465 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Gross estimated liabilities for incurred claims for 2023 (continued)

| Accident year | Prior years RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | 2023 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross undiscounted liabilities for incurred claims | 8,216 | 2,077 | 13,032 | 41,866 | 55,539 | 66,211 | 90,638 | 133,008 | 247,140 | 657,727 |
| Effect of discounting | (89) | (37) | (369) | (1,576) | (2,403) | (3,587) | (4,845) | (7,710) | (12,793) | (33,409) |
| Gross discounted liabilities for incurred claims | 8,127 | 2,040 | 12,663 | 40,290 | 53,136 | 62,624 | 85,793 | 125,298 | 234,347 | 624,318 |
| Claims handling expenses | | | | | | | | | | 35,884 |
| Risk adjustment | | | | | | | | | | 68,669 |
| Others | | | | | | | | | | 160 |
| Gross liabilities for incurred claims | | | | | | | | | | 729,031 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Gross estimated liabilities for incurred claims for 2022

| Accident year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At end of accident year | 465,667 | 508,386 | 511,495 | 527,127 | 489,591 | 425,587 | 312,591 | 343,312 |
| One year later | 419,774 | 429,937 | 454,671 | 443,108 | 438,801 | 340,677 | 312,210 | |
| Two years later | 413,319 | 419,641 | 454,011 | 440,460 | 441,397 | 319,442 | | |
| Three years later | 404,762 | 411,250 | 449,465 | 440,330 | 426,935 | | | |
| Four years later | 402,296 | 409,981 | 443,059 | 440,046 | | | | |
| Five years later | 404,248 | 408,542 | 443,415 | | | | | |
| Six years later | 402,631 | 404,834 | | | | | | |
| Seven years later | 401,973 | | | | | | | |
| Current estimate of cumulative claims incurred | 401,973 | 404,834 | 443,415 | 440,046 | 426,935 | 319,442 | 312,210 | 343,312 |
| At end of accident year | 120,578 | 158,548 | 180,681 | 181,004 | 157,632 | 117,828 | 73,508 | 88,761 |
| One year later | 335,296 | 319,636 | 332,828 | 319,242 | 281,458 | 200,748 | 175,803 | |
| Two years later | 364,033 | 365,672 | 380,641 | 356,089 | 324,900 | 230,426 | | |
| Three years later | 377,282 | 379,343 | 401,103 | 369,009 | 353,654 | | | |
| Four years later | 383,020 | 384,823 | 409,948 | 382,443 | | | | |
| Five years later | 387,247 | 386,822 | 414,284 | | | | | |
| Six years later | 397,396 | 389,169 | | | | | | |
| Seven years later | 398,127 | | | | | | | |
| Cumulative payments to-date | 398,127 | 389,169 | 414,284 | 382,443 | 353,654 | 230,426 | 175,803 | 88,761 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Gross estimated liabilities for incurred claims for 2022 (continued)

| Accident year | Prior years | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Gross undiscounted liabilities for incurred claims | 10,181 | 3,846 | 15,665 | 29,131 | 57,603 | 73,281 | 89,016 | 136,407 | 254,551 | 669,681 |
| Effect of discounting | (111) | (72) | (432) | (1,110) | (2,780) | (3,471) | (5,134) | (9,172) | (13,518) | (35,800) |
| Gross discounted liabilities for incurred claims | 10,070 | 3,774 | 15,233 | 28,021 | 54,823 | 69,810 | 83,882 | 127,235 | 241,033 | 633,881 |
| Claims handling expenses | | | | | | | | | | 32,721 |
| Risk adjustment | | | | | | | | | | 70,066 |
| Others | | | | | | | | | | (1,338) |
| Gross liabilities for incurred claims | | | | | | | | | | 735,330 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Net estimated liabilities for incurred claims for 2023

| Accident year | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | 2023 RM'000 |
|---|---|---|---|---|---|---|---|---|
| At end of accident year | 383,254 | 406,854 | 397,779 | 367,657 | 296,144 | 234,253 | 242,318 | 259,652 |
| One year later | 338,221 | 375,033 | 358,130 | 341,927 | 242,335 | 202,837 | 222,780 | |
| Two years later | 337,398 | 374,241 | 360,108 | 338,646 | 234,213 | 197,770 | | |
| Three years later | 334,081 | 373,458 | 357,182 | 336,075 | 230,659 | | | |
| Four years later | 335,093 | 367,722 | 360,668 | 332,033 | | | | |
| Five years later | 333,363 | 366,471 | 358,967 | | | | | |
| Six years later | 325,491 | 358,050 | | | | | | |
| Seven years later | 323,155 | | | | | | | |
| Current estimate of cumulative claims incurred | 323,155 | 358,050 | 358,967 | 332,033 | 230,659 | 197,770 | 222,780 | 259,652 |
| At end of accident year | 139,422 | 161,085 | 156,711 | 133,173 | 89,744 | 67,188 | 76,210 | 81,796 |
| One year later | 265,183 | 290,806 | 271,821 | 237,288 | 155,854 | 140,626 | 136,553 | |
| Two years later | 298,988 | 324,229 | 302,030 | 271,855 | 176,116 | 143,021 | | |
| Three years later | 310,325 | 340,158 | 314,009 | 289,242 | 186,542 | | | |
| Four years later | 315,435 | 345,975 | 326,116 | 296,940 | | | | |
| Five years later | 317,263 | 348,198 | 334,928 | | | | | |
| Six years later | 319,218 | 350,171 | | | | | | |
| Seven years later | 321,335 | | | | | | | |
| Cumulative payments to-date | 321,335 | 350,171 | 334,928 | 296,940 | 186,542 | 143,021 | 136,553 | 81,796 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Net estimated liabilities for incurred claims for 2023 (continued)

| Accident year | Prior years RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | 2023 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net undiscounted liabilities for incurred claims | 3,051 | 1,820 | 7,879 | 24,039 | 35,093 | 44,117 | 54,749 | 86,227 | 177,856 | 434,831 |
| Effect of discounting | (22) | (36) | (184) | (733) | (1,107) | (2,367) | (4,380) | (4,998) | (7,949) | (21,776) |
| Net discounted liabilities for incurred claims | 3,029 | 1,784 | 7,695 | 23,306 | 33,986 | 41,750 | 50,369 | 81,229 | 169,907 | 413,055 |
| Claims handling expenses | | | | | | | | | | 35,884 |
| Non-performance risk of reinsurers | | | | | | | | | | 26 |
| Risk adjustment | | | | | | | | | | 45,559 |
| Others | | | | | | | | | | (4,024) |
| Net liabilities for incurred claims | | | | | | | | | | 490,500 |

| | Estimates of the present value of future cash flows RM'000 | Risk adjustment RM'000 | Total RM'000 |
|---|---|---|---|
| Gross liabilities for incurred claims | 660,362 | 68,669 | 729,031 |
| Amounts recoverable from reinsurers | (215,421) | (23,110) | (238,531) |
| Total net liabilities for incurred claims | 444,941 | 45,559 | 490,500 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Net estimated liabilities for incurred claims for 2022

| Accident year | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 |
|---|---|---|---|---|---|---|---|---|
| At end of accident year | 294,111 | 383,254 | 406,854 | 397,779 | 367,657 | 296,144 | 234,253 | 242,318 |
| One year later | 283,517 | 338,221 | 375,033 | 358,130 | 341,927 | 242,335 | 202,837 | |
| Two years later | 281,604 | 337,398 | 374,241 | 360,108 | 338,646 | 234,213 | | |
| Three years later | 277,990 | 334,081 | 373,458 | 357,182 | 336,075 | | | |
| Four years later | 277,431 | 335,093 | 367,722 | 360,668 | | | | |
| Five years later | 273,343 | 333,363 | 366,471 | | | | | |
| Six years later | 270,042 | 325,491 | | | | | | |
| Seven years later | 268,663 | | | | | | | |
| Current estimate of cumulative claims incurred | 268,663 | 325,491 | 366,471 | 360,668 | 336,075 | 234,213 | 202,837 | 242,318 |
| At end of accident year | 104,029 | 139,422 | 161,085 | 156,711 | 133,173 | 89,744 | 67,188 | 76,210 |
| One year later | 224,228 | 265,183 | 290,806 | 271,821 | 237,288 | 155,854 | 140,626 | |
| Two years later | 246,896 | 298,988 | 324,229 | 302,030 | 271,855 | 176,116 | | |
| Three years later | 259,025 | 310,325 | 340,158 | 314,009 | 289,242 | | | |
| Four years later | 263,917 | 315,435 | 345,975 | 326,116 | | | | |
| Five years later | 263,825 | 317,263 | 348,198 | | | | | |
| Six years later | 266,691 | 319,218 | | | | | | |
| Seven years later | 266,925 | | | | | | | |
| Cumulative payments to-date | 266,925 | 319,218 | 348,198 | 326,116 | 289,242 | 176,116 | 140,626 | 76,210 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.5 Claims development table (continued)

Net estimated liabilities for incurred claims for 2022 (continued)

| Accident year | Prior years | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net undiscounted liabilities for incurred claims | 4,131 | 1,738 | 6,273 | 18,273 | 34,552 | 46,833 | 58,097 | 62,211 | 166,108 | 398,216 |
| Effect of discounting | (30) | (33) | (156) | (657) | (1,322) | (2,573) | (4,004) | (4,723) | (7,686) | (21,184) |
| Net discounted liabilities for incurred claims | 4,101 | 1,705 | 6,117 | 17,616 | 33,230 | 44,260 | 54,093 | 57,488 | 158,422 | 377,032 |
| Claims handling expenses | | | | | | | | | | 32,721 |
| Non-performance risk of reinsurers | | | | | | | | | | 31 |
| Risk adjustment | | | | | | | | | | 43,461 |
| Others | | | | | | | | | | (9,938) |
| Net liabilities for incurred claims | | | | | | | | | | 443,307 |

| | Estimates of the present value of future cash flows | Risk adjustment | Total |
|---|---|---|---|
| | RM'000 | RM'000 | RM'000 |
| Gross liabilities for incurred claims | 665,264 | 70,066 | 735,330 |
| Amounts recoverable from reinsurers | (265,418) | (26,605) | (292,023) |
| Total net liabilities for incurred claims | 399,846 | 43,461 | 443,307 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk

The Board recognises the Company's exposure to business, economic and financial risks and the need to develop and implement measures to mitigate the risks identified as having potentially adverse impact on the Company's operations and impairment of its financial strength. The Board has assumed the primary responsibility of developing and implementing the Company's risk management program by evaluating, managing and monitoring the principal risks.

2.1 Credit Risk

Credit risk is the risk of financial loss resulting from a failure of a debtor to honour its obligations to the Company.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit period, putting in place collection procedures and rigorously monitoring its credit portfolio.

In terms of exposures to debt securities, the Company maintains a diversified portfolio of investments in government guaranteed and minimum A-rated financial instruments at the time of purchase issued by companies with strong credit ratings.

The Company monitors credit risk associated with reinsurance by following the counterparties' limits set and reviewed periodically by the Malaysian Reinsurance Committee ("MRC"). When selecting its reinsurers, the Company considers their relative financial security. The security of the reinsurer is assessed based on external rating information and annual reports. The Company also ensures that its reinsurers are financially resilient to fulfil the contractual obligations in a timely manner. The reinsurers are required to maintain a minimum financial strength rating and are assessed annually. To reduce credit risk, The Company limits the proportion of exposure to reinsurers with lower ratings in relation to the overall reinsurance exposure. The Company's reinsurance program is also approved by the Board, taking into consideration the recommendations of the MRC.

Credit exposure

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

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000<br>Restated | 01.01.2022<br>RM'000<br>Restated |
|---|---|---|---|
| Debt instruments at FVTPL | 1,483,451 | 1,299,505 | 1,339,025 |
| Insurance contract assets | 13 | - | - |
| Reinsurance contract assets – amounts recoverable from reinsurers | 238,531 | 292,023 | 246,502 |
| Other receivables * | 46,114 | 48,923 | 54,157 |
| Cash and cash equivalents | 235,548 | 344,978 | 247,400 |
| | 2,003,657 | 1,985,429 | 1,887,084 |

* Excluding prepayments which are not subject to credit risk.

All the financial assets above are neither past due nor impaired.

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit Risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Standard & Poor's Financial Services LLC's ("S&P"), Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit rating of counterparties. AAA is the highest possible rating.

| | Government Guaranteed | AAA | AA | A | BBB | Not Rated | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31.12.2023 | | | | | | | |
| Investments | 956,526 | 313,335 | 213,590 | - | - | - | 1,483,451 |
| Insurance contract assets | - | - | - | - | - | 13 | 13 |
| Reinsurance contract assets - amount recoverable from reinsurers | - | - | 179,397 | 54,455 | 181 | 4,498 | 238,531 |
| Other receivables | - | - | - | - | - | 46,114 | 46,114 |
| Cash and cash equivalents | - | 184,633 | 4,262 | 46,380 | 254 | 19 | 235,548 |
| | 956,526 | 497,968 | 397,249 | 100,835 | 435 | 50,644 | 2,003,657 |
| 31.12.2022 | | | | | | | |
| Investments | 747,908 | 312,107 | 239,490 | - | - | - | 1,299,505 |
| Insurance contract assets | - | - | - | - | - | - | - |
| Reinsurance contract assets - amount recoverable from reinsurers | - | - | 19,604 | 265,527 | 13 | 6,879 | 292,023 |
| Other receivables | - | - | - | - | - | 48,923 | 48,923 |
| Cash and cash equivalents | - | 258,140 | 7,764 | 78,740 | 315 | 19 | 344,978 |
| | 747,908 | 570,247 | 266,858 | 344,267 | 328 | 55,821 | 1,985,429 |

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit Risk (continued)

Credit exposure by credit rating (continued)

| | Government Guaranteed | AAA | AA | A | BBB | Not Rated | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 01.01.2022 | | | | | | | |
| Investments | 778,790 | 322,118 | 238,117 | - | - | - | 1,339,025 |
| Insurance contract assets | - | - | - | - | - | - | - |
| Reinsurance contract assets - amount recoverable from reinsurers | - | - | 138,915 | 102,149 | 5 | 5,433 | 246,502 |
| Other receivables | - | - | - | - | - | 54,157 | 54,157 |
| Cash and cash equivalents | - | 214,201 | 8,046 | 24,714 | 420 | 19 | 247,400 |
| | 778,790 | 536,319 | 385,078 | 126,863 | 425 | 59,609 | 1,887,084 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit Risk (continued)

Expected credit loss

As at 31 December 2023, the Company has assessed the possible default events of the lifetime ECL for other receivables and cash and cash equivalents. The probability of default is deemed low based on the economic scenarios.

2.2 Liquidity risk

Liquidity risk arises when the Company does not have the availability of funds to honour all cash outflow commitments as they fall due.

The Company's principal liquidity objective is to ensure that funds are available to meet its insurance and reinsurance obligations. Management utilises monthly cash flow reporting and forecasting to identify known, expected and potential cash outflows to determine an appropriate operating liquidity to cover expected and potential payments.

Maturity profiles

The table in the following page summarises the maturity profile of portfolios of insurance contracts issued that are liabilities with portfolios of reinsurance contracts held that are assets and liabilities of the Company based on the remaining contractual undiscounted net cash flows expected to be paid out in the periods presented.

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity Risk (continued)

Maturity profiles (continued)

Reinsurance contracts assets - amount recoverable from reinsurers

| | Carrying value RM'000 | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | No maturity | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| 31.12.2023 | | | | | | | | | |
| Accident and Health | 6,104 | 4,840 | 1,328 | 327 | 155 | 7 | 15 | - | 6,672 |
| Property & Casualty and Motor | 232,427 | 139,056 | 44,613 | 21,042 | 17,958 | 11,009 | 15,356 | - | 249,034 |
| Total | 238,531 | 143,896 | 45,941 | 21,369 | 18,113 | 11,016 | 15,371 | - | 255,706 |
| 31.12.2022 | | | | | | | | | |
| Accident and Health | 4,892 | 5,293 | 3,290 | 1,262 | 346 | 101 | 8 | - | 10,300 |
| Property & Casualty and Motor | 287,131 | 178,721 | 52,698 | 34,280 | 19,298 | 10,781 | 15,812 | - | 311,590 |
| Total | 292,023 | 184,014 | 55,988 | 35,542 | 19,644 | 10,882 | 15,820 | - | 321,890 |
| 01.01.2022 | | | | | | | | | |
| Accident and Health | 12,541 | 9,434 | 2,454 | 510 | 171 | 46 | 15 | - | 12,630 |
| Property & Casualty and Motor | 233,961 | 148,764 | 37,718 | 24,236 | 16,848 | 9,994 | 10,558 | - | 248,118 |
| Total | 246,502 | 158,198 | 40,172 | 24,746 | 17,019 | 10,040 | 10,573 | - | 260,748 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity Risk (continued)

Maturity profiles (continued)

Insurance contract liabilities – liabilities for incurred claims

| | Carrying value RM'000 | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | No maturity | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| 31.12.2023 | | | | | | | | | |
| Accident and Health | 55,173 | 41,260 | 10,515 | 2,870 | 1,377 | 466 | 261 | - | 56,749 |
| Property and Casualty | 458,704 | 260,465 | 81,976 | 42,998 | 32,983 | 22,888 | 46,106 | | 487,416 |
| Motor | 215,154 | 122,845 | 56,775 | 26,665 | 10,731 | 4,590 | 2,402 | - | 224,008 |
| Total | 729,031 | 424,570 | 149,266 | 72,533 | 45,091 | 27,944 | 48,769 | - | 768,173 |
| 31.12.2022 | | | | | | | | | |
| Accident and Health | 44,505 | 33,868 | 8,057 | 2,602 | 962 | 315 | 156 | - | 45,960 |
| Property and Casualty | 480,134 | 274,995 | 81,419 | 55,388 | 35,504 | 21,475 | 43,147 | | 511,928 |
| Motor | 210,691 | 119,612 | 56,463 | 26,553 | 10,555 | 4,598 | 2,362 | - | 220,143 |
| Total | 735,330 | 428,475 | 145,939 | 84,543 | 47,021 | 26,388 | 45,665 | - | 778,031 |
| 01.01.2022 | | | | | | | | | |
| Accident and Health | 50,236 | 38,072 | 9,210 | 2,428 | 1,028 | 342 | 94 | - | 51,174 |
| Property and Casualty | 426,937 | 252,571 | 69,199 | 42,012 | 28,800 | 19,860 | 34,658 | | 447,100 |
| Motor | 231,570 | 131,533 | 60,466 | 27,396 | 11,775 | 4,883 | 2,303 | - | 238,356 |
| Total | 708,743 | 422,176 | 138,875 | 71,836 | 41,603 | 25,085 | 37,055 | - | 736,630 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity Risk (continued)

Maturity profiles (continued)

The following table summarises the financial assets of the expected utilisation or settlement of the Company based on the remaining undiscounted contractual cash flows, including interest receivable.

| | Carrying value RM'000 | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | No maturity | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| 31.12.2023 | | | | | | | | | |
| Investments | 1,483,826 | 322,996 | 90,603 | 416,931 | 190,491 | 191,153 | 484,227 | 375 | 1,696,776 |
| Other receivables | 46,114 | 45,465 | - | - | - | - | - | 649 | 46,114 |
| Cash and cash equivalents | 235,548 | 235,665 | - | - | - | - | - | - | 235,665 |
| Total | 1,765,488 | 604,126 | 90,603 | 416,931 | 190,491 | 191,153 | 484,227 | 1,024 | 1,978,555 |
| 31.12.2022 | | | | | | | | | |
| Investments | 1,299,880 | 339,568 | 222,406 | 144,029 | 223,442 | 215,018 | 334,289 | 375 | 1,479,127 |
| Other receivables | 48,923 | 48,271 | - | - | - | - | - | 652 | 48,923 |
| Cash and cash equivalents | 344,978 | 345,339 | - | - | - | - | - | - | 345,339 |
| Total | 1,693,781 | 733,178 | 222,406 | 144,029 | 223,442 | 215,018 | 334,289 | 1,027 | 1,873,389 |
| 01.01.2022 | | | | | | | | | |
| Investments | 1,339,400 | 318,800 | 177,775 | 322,627 | 160,343 | 200,952 | 303,570 | 375 | 1,484,442 |
| Other receivables | 54,157 | 53,406 | - | - | - | - | - | 751 | 54,157 |
| Cash and cash equivalents | 247,400 | 247,574 | - | - | - | - | - | - | 247,574 |
| Total | 1,640,957 | 619,780 | 177,775 | 322,627 | 160,343 | 200,952 | 303,570 | 1,126 | 1,786,173 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity Risk (continued)

Maturity profiles (continued)

The following table summarises the expected settlement of lease liabilities and financial liabilities that do not relate to insurance operations based on the remaining undiscounted cash flows.

| | Carrying value RM'000 | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | No maturity | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| 31.12.2023 | | | | | | | | | |
| Lease liabilities | 1,947 | 1,068 | 771 | 132 | 39 | 4 | - | - | 2,014 |
| Other payables | 134,915 | 119,160 | 8,924 | 4,458 | 2,198 | 633 | 190 | - | 135,563 |
| Total | 136,862 | 120,228 | 9,695 | 4,590 | 2,237 | 637 | 190 | - | 137,577 |
| 31.12.2022 | | | | | | | | | |
| Lease liabilities | 1,758 | 985 | 513 | 293 | 54 | 35 | - | - | 1,880 |
| Other payables | 151,324 | 133,298 | 9,728 | 5,679 | 1,824 | 1,049 | 267 | - | 151,845 |
| Total | 153,082 | 134,283 | 10,241 | 5,972 | 1,878 | 1,084 | 267 | - | 153,725 |
| 01.01.2022 | | | | | | | | | |
| Lease liabilities | 2,516 | 1,167 | 883 | 403 | 223 | 35 | 18 | - | 2,729 |
| Other payables | 159,153 | 139,961 | 11,414 | 5,674 | 2,044 | 245 | 171 | - | 159,509 |
| Total | 161,669 | 141,128 | 12,297 | 6,077 | 2,267 | 280 | 189 | - | 162,238 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument, insurance contract issued or reinsurance contract held will fluctuate because of changes in market prices. Market risk comprises of three types of risk, namely foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (equity price risk).

2.3.1 Foreign Currency Risk

Foreign currency risk is the exposure of a company's financial strength to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a reduction in measures of financial strength.

The Company transacts in minimal selected currencies and monitors corresponding assets and liabilities created at transaction level to ensure optimal currency positions.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). Its exposure to foreign currency risk is minimum and mainly arises principally with respect to United State Dollar ("USD"), Australian Dollar ("AUD"), New Zealand Dollar ("NZD"), Singapore Dollar ("SGD") and New Taiwan Dollar ("TWD").

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia, and hence, primarily denominated in the local currency as is its insurance contract liabilities.

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

As the Company's main foreign currency risk from recognised assets and liabilities arises from reinsurance contracts for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.3 Market Risk (continued)

2.3.2 Interest Rate Risk

Interest rate risk refers to the effect of interest rate changes on the market value of a fixed income portfolio. When interest rates (yields) of fixed income securities increase, their prices will decrease, and vice versa. Fixed income securities with longer maturity and lower coupon rates are usually more sensitive to interest rate changes.

The Company is exposed to interest rate risk through its investments in fixed income securities and money market placements with the financial institutions. These investments are managed internally, aided by an appointed investment advisor which is a licensed fund manager. Interest rate risk is managed via management and monitoring of the portfolio duration with active support from the investment advisor.

The Company manages interest rate risk primarily by matching the timing of cash flows from its fixed income portfolio with the timing of cash flows from insurance and reinsurance contracts. Interest rate risk is monitored by calculating the mean duration of the investment portfolio and the insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in interest rates. The mean duration of insurance liabilities and assets are determined by means of projecting expected cash flows from the contracts. Any gap between the mean duration of the assets and the mean duration of the liabilities is minimised by means of buying and selling fixed-interest portfolio of different durations. The Company will always ensure the assets are consistently aligned with its liabilities with respect to effective duration.

The sensitivity analysis below illustrates impact of 100 basis points ("bps") increase or decrease in interest rate to investment value based on portfolio holdings as of 31 December 2023, holding other variables constant. Note that the sensitivity analysis assumes the following:

1) Money market rates are adjusted to the same quantum of any change in interest rate movement. This refers to money market placements with financial institutions.

2) Parallel shift in yields in the same quantum of any change in interest rate movement. This refers to investment in fixed income securities.

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | Variable charges | Impact on profit after tax RM'000 | Impact on equity RM'000 | Impact on profit after tax RM'000 | Impact on equity RM'000 |
| Interest rate | +100 basis points | (33,602) | (33,602) | (24,448) | (24,448) |
| Interest rate | -100 basis points | 33,602 | 33,602 | 24,448 | 24,448 |

21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.3 Market Risk (continued)

2.3.3 Equity Price Risk

Equity price risk refers to risk of changes in the value of an equity security. Securities may increase or decline in value due to various factors affecting equity market. Generally, it can be affected by industry-wide factors, or reasons specific to the company or its securities, such as management performance and financial positions. Price risk can be mitigated through diversification in general.

The Company is exposed to equity price risk arising from investment held by the Company and classified in the statement of financial position as available-for-sale financial assets that mainly consists of unquoted equities amounting to RM375,000 (2022: RM375,000).

As the Company's portfolio of investments in unquoted equities is insignificant, the impact arising from sensitivity in equity price risk is deemed minimal. There are no insurance or reinsurance contracts that are exposed to price risk.

3 Operational Risk

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

The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

Business risks, such as, changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

## 21 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

Capital structure

The capital structure of the Company as at 31 December 2023, as prescribed under the RBC Framework is provided below:

| | 31.12.2023<br>RM'000 | 31.12.2022<br>RM'000 | 01.01.2022<br>RM'000 |
|---|---|---|---|
| Eligible Tier 1 Capital: | | | |
| Share capital | 100,000 | 100,000 | 100,000 |
| Retained earnings | 894,862 | 873,237 | 762,870 |
| | 994,862 | 973,237 | 862,870 |
| Tier 2 Capital: | | | |
| AFS reserves | - | (21,547) | (8,027) |
| Eligible reserves | 6,275 | 7,982 | 8,660 |
| Amount deducted from capital | (29,131) | (34,311) | (29,181) |
| | (22,856) | (47,876) | (28,548) |
| Total capital available | 972,006 | 925,361 | 834,322 |

The components of capital available presented above is prepared under the RBC framework and will not reconcile to the components presented in these financial statements.

## 22 CONTINGENT LIABILITY

The Malaysia Competition Commission ("MyCC") had issued Notice of Finding of an Infringement under Section 40 of the Competition Act 2010 in September 2020. MyCC has determined that the Company, together with PIAM and the other 21 other insurers, had infringed the prohibitions in Section 4 of the Competition Act prohibition in that the parties had entered into an agreement to fix the price of parts trade discount and labour rates for PIAM Approved Repairers Scheme ("PARS") workshops.

In MyCC's Final Decision, it imposed a financial penalty of RM4,218,671 on the Company in 2020. This Final Decision was set aside by the Competition Appeal Tribunal (the "Tribunal") on 2 September 2022.

MyCC filed an application to seek leave to commence judicial review proceedings in the High Court to review the decision of the Tribunal, and this was dismissed by the High Court with cost of RM10,000 to be paid to Chubb on 16 January 2024. However, MyCC has, on 15 February 2024, filed an appeal against the dismissal of the leave application to the Court of Appeal.

Saved as disclosed above, the Company does not have any other contingent assets and liabilities as at 31 December 2023.