Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2022

Company No.
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Contents	**Pages**

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the Group and Company consists of the underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	9,487,571	9,485,977

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

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

As at the date of the financial statements, the Directors have not recommended any final dividend to be paid for the financial year under review.

DIRECTORS

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

Dato' Khalid bin Abdol Rahman
Ajit Nair
Dato' Chan Choy Lin
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)
Sammy Chan Sum Yu

In accordance with Article 65 of the Company's Constitution, Dato' Khalid bin Abdol Rahman will retire at the forthcoming Annual General Meeting and he being eligible, offers himself for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interest of a Director in office at the end of the financial year in shares and options in the Company and its related corporations during the financial year was as follows:

	Holdings registered in name of a Director			
	01.01.2022	Acquired	Exercised	31.12.2022
Ultimate Holding Company - Fairfax Financial Holdings Limited ("FFHL")				
(Common or Subordinate voting shares of no par value each)				
Sammy Chan Sum Yu	26,908	-	-	26,908

Other than as disclosed, none of the Directors in office at the end of the financial year had any interest in shares and in options in the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

	Group	Company
	RM	RM
Total Directors' remuneration	475,683	475,683

Details of Directors' remuneration are set out in Note 24(b) to the financial statements.

INDEMNIFICATION OF DIRECTORS

The Directors and Officers of the Company are covered by a Directors' and Officers' Liability insurance maintained by the ultimate holding company, Fairfax Financial Holdings Limited ("FFHL"). The insurance covers the Malaysian subsidiaries of FFHL up to an aggregate limit of RM41,319,000 (USD10 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The premium for the insurance is RM30,989.

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

Board Responsibility

The Board is committed to ensure that the highest standards of corporate governance are observed in the Company so that the affairs of the Company are conducted with professionalism, accountability and integrity with the objective of enhancing shareholders' value as well as safeguarding the interests of other stakeholders.

The Board is ultimately responsible for the proper stewardship of the Company's resources, the achievement of corporate objectives and the adherence to good corporate governance practices in conformity with Bank Negara Malaysia ("BNM") Guidelines, BNM Policy Document ("PD") on Corporate Governance issued on 3 August 2016. The Company has complied with the standards and adopted management practices that are consistent with these guidelines and PD.

The Board has overall responsibility for the strategic direction and development plans in furthering the achievements of the Company. The Board meets regularly and has a formal schedule of matters specifically reserved for its consideration and approval, which includes the annual business and strategic plans, business operations, financial performance, risk management, investment, as well as compliance requirements under the Risk-Based Capital Framework and the Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers. The Board's approval is also sought for transactions by the Company on outsourcing of certain business functions, major acquisition and disposal of assets, as well as material related party transactions. In addition, the Board reviews the Company's investment risk management and reinsurance practices and approves the authority levels for the Company's core functions, including expenditure approving, risk acceptance and claims approval.

On an ongoing basis, the Directors are kept informed through relevant training programmes and briefings to assist them to keep abreast with developments in the market place. The Directors are also updated with the policy and administrative changes as well as new guidelines issued by BNM and relevant professional bodies.

Board Composition and Meetings

On a yearly basis, the Directors are subject to an internal declaration to review their status of compliance with BNM/RH/GL 018-5 on Fit and Proper Criteria, BNM Policy Document on Corporate Governance issued on 3 August 2016 and Section 60 of the Financial Services Act, 2013 on the fulfilment of the minimum criteria of a "fit and proper person". In accordance with Section 54 of the Financial Services Act, 2013, all Directors are appointed and reappointed to the Board after prior approval has been obtained from BNM. None of the Directors are active politicians.

The Directors are persons of calibre, credibility and integrity. Collectively they bring with them a wide range of business and management experience, skills and specialised knowledge that are required to lead and oversee the affairs of the Company.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Composition and Meetings (continued)

As at reporting date, the Company's Board of Directors consists of four (4) Directors as set out below:

Members:	Status of Directorship
Dato' Khalid bin Abdol Rahman	Independent Non-Executive Director, Chairman
Dato' Chan Choy Lin	Independent Non-Executive Director
Ajit Nair	Independent Non-Executive Director
Sammy Chan Sum Yu	Executive Director
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)	Non-Independent Non-Executive Director

The Board met seven (7) times during the financial year and the details of the Directors' attendance are as follows:

Name	Number of Board Meetings Attended	Percentage (%)
Dato' Khalid bin Abdol Rahman	7/7	100
Dato' Chan Choy Lin	7/7	100
Ajit Nair	7/7	100
Sammy Chan Sum Yu	7/7	100
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)	4/4	100

The Board members are provided with adequate and timely information and reports, including background explanatory information, on matters brought before the Board. All the Directors have full and unrestricted access to all information and records of the Company as well as services and advice of the Company Secretary and the senior management of the Company to assist them in discharging their duties and responsibilities.

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Directors' Profile

Dato' Khalid bin Abdol Rahman
Chairman / Independent Non-Executive Director

Dato' Khalid bin Abdol Rahman ("Dato' Khalid") was appointed to the Board on 19 May 2020 as an Independent Non-Executive Director and he was subsequently appointed as Chairman of the Board on 28 January 2021. He is also a member of the Board Audit Committee, the Board Risk Management Committee, the Board Nomination Committee and the Board Remuneration Committee.

Dato' Khalid holds a Diploma in Accountancy from University Institute of Technology (MARA) in Selangor. He then went on to obtain a Bachelor of Science degree in Finance from Indiana State University, Indiana, United States, and a Master of Business Administration degree in Marketing from University of New Haven, Connecticut, United States.

Dato' Khalid has more than 30 years of experience in the fields of corporate planning, business development, mergers and acquisitions, corporate finance and corporate advisory services.

Sammy Chan Sum Yu
Executive Director

Mr. Sammy Chan Sum Yu was first appointed to the Board on 24 March 2011. He is also a member of the Board Nomination Committee.

Mr. Sammy Chan graduated from the University of Waterloo, Canada with a Bachelor of Mathematics (major in Actuarial Science).

Mr. Sammy Chan has over 40 years of experience in property and casualty insurance companies. He was the President of Fairfax Asia Limited from April 2002 to June 2022, and a key member of the due diligence team on mergers and acquisition.

In light of Mr. Sammy Chan's two decades of prestigious contributions to the Group, he was then appointed as Corporate Consultant of Fairfax (Barbados) International Corp in July 2022 following his retirement as the President of Fairfax Asia Limited in June 2022.

Mr. Sammy Chan is also a member of the Board of Directors of Falcon Insurance Co. (Hong Kong) Ltd., Hong Kong; Falcon (1998) Co. Limited, Hong Kong; The Falcon Insurance Public Co. Ltd., Thailand; as well as Alltrust Insurance Co. Ltd., China.

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Directors' Profile (continued)

Ajit Nair
Independent Non-Executive Director

Mr. Ajit Nair was appointed to the Board on 18 December 2019 as an Independent Non-Executive Director. He was appointed the Chairman of the Board Risk Management Committee on 19 December 2019, and the Chairman of the Board Nomination Committee effective from 20 December 2020. He is also a member of the Board Audit Committee and the Board Remuneration Committee.

Mr. Ajit graduated with a Bachelor of Arts in Economics from the National University of Singapore in 1982. In his 30+ years career at IBM, he had held several roles in various divisions including System and Technology, Industry Business Units and Channels and Partner Management at regional and global levels. He has domain expertise in financial services and was the first person in Asia Pacific to be certified as an IBM client executive for his in-depth knowledge of banking.

Mr. Ajit is currently the Chairman of the Board of MS First Capital Insurance Limited, Singapore where he sits on its various board committees including as Chairman of its Board Risk Management Committee and of its Board Remuneration Committee.

Dato' Chan Choy Lin
Independent Non-Executive Director

Dato' Chan Choy Lin ("Dato' Carol Chan") was appointed to the Board on 18 March 2020 as an Independent Non-Executive Director. She was appointed the Chairman of the Board Audit Committee effective from 24 March 2020, and the Chairman of the Board Remuneration Committee effective from 20 December 2020. She is also a member of the Board Nomination Committee and the Board Risk Management Committee.

Dato' Carol Chan is a member of The Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Dato' Carol Chan has more than 30 years' experience with public listed companies that engaged in the businesses of banking and insurance, automotive manufacturing and distribution, trading and services, property and construction, plantation, hospitality and education. Dato' Carol Chan's senior management experience covers the areas of mergers, acquisitions and divestments, finance, treasury, corporate social responsibilities, corporate secretarial and legal, including corporate governance, risk management and internal control. Over the years, Dato' Carol Chan had held several key management positions. She was a key member of various group committees and she also served as a nominee director on the boards of various group companies of a public listed conglomerate.

Dato' Carol Chan is currently an Independent Non-Executive Director of Ann Joo Resources Berhad, APM Automotive Holdings Berhad and GHL Systems Berhad.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Training attended by Board of Directors

The following are the trainings attended by the Directors during the financial year.

1 "Climate Change: Impact on Insurance Companies & Role of the Board" by Iclif, attended by Dato' Khalid bin Abdol Rahman, Dato' Chan Choy Lin and Mr. Ajit Nair
2 "BNM-FIDE FORUM MyFintech Week Masterclasses" by FIDE FORUM
3 "ESG in Insurance: A Regulatory Perspective" by KPMG Malaysia
4 "Managing Culture to Prevent Misconduct" by Iclif, attended by Dato' Khalid bin Abdol Rahman and Mr. Ajit Nair
5 "BNM-FIDE FORUM Dialogue: Climate Risk Management and Scenario Analysis" by FIDE FORUM
6 "ESG and Sustainable Finance for the Insurance Section" by Persatuan Insurans Am Malaysia ("PIAM")/Malaysian Sustainable Finance Initiative ("MSFI"), attended by Dato' Khalid bin Abdol Rahman, Dato' Chan Choy Lin and Mr. Sammy Chan Sum Yu
7 "Engagement session with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms", by FIDE FORUM
8 "Material ESG Risks for the Insurance Sector" by MSFI, attended by Dato' Khalid bin Abdol Rahman, Dato' Chan Choy Lin and Mr. Ajit Nair
9 "The Emerging Trends, Threats and Risks to the Financial Services Industry - Managing Global Risk, Investment and Payment System" by FIDE FORUM
10 "Are we on track in Asia Pacific to tackle the climate crisis? Insights from the IPCC authors on ESG actions progress" by PwC Malaysia, attended by Dato' Chan Choy Lin and Mr. Sammy Chan Sum Yu
11 "ICLIF-FIDE FORUM Joint Event on Steward Leadership for Sustainability" by Iclif, attended by Dato' Chan Choy Lin
12 "FIDE FORUM Leadership Perspectives Forum on Board Effectiveness in conjunction with BEE Launch" by FIDE FORUM, attended by Dato' Chan Choy Lin
13 "Steward Leadership Summit: Creating a Collective Better Future" by Stewardship Asia Centre, attended by Mr. Ajit Nair
14 "MetaFinance: The Next Frontier of the Global Economy" by FIDE FORUM, attended by Mr. Sammy Chan Sum Yu
15 "Cyber Security Awareness" by SysArmy Sdn. Bhd.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees

To support the execution of its duties and functions, the Board delegates certain responsibilities to the Board Committees namely, the Board Audit Committee, the Board Risk Management Committee and the Board Nomination Committee as well as the Board Remuneration Committee which operate within clearly defined terms of reference. The Board Committees report to the Board on matters discussed at their meetings and make recommendations on items that require the Board's approval.

The memberships, roles and terms of reference of the Audit, Risk Management, Nomination and Remuneration Committees of the Board during the financial year are as follows:

(i) Board Audit Committee

As at reporting date, the Board Audit Committee ("BAC") comprises three (3) members who are Independent Non-Executive Directors. The composition of the BAC is as follows:

Members:	Status of Directorship
Dato' Chan Choy Lin	Independent Non-Executive Director, Chairman
Ajit Nair	Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman	Independent Non-Executive Director
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)	Non-Independent Non-Executive Director

The BAC met eight (8) times during the financial year and the details of the members' attendance are as follows:

Name	Number of Meetings Attended	Percentage (%)
Dato' Chan Choy Lin	8/8	100
Ajit Nair	8/8	100
Dato' Khalid bin Abdol Rahman	8/8	100
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)	4/4	100

The BAC's terms of reference are in compliance with BNM PD on Corporate Governance. The BAC has independent access to the Company's internal auditors, external auditors and management so as to enable it to discharge its functions, which include the reinforcement of the independence and objectivity of the internal and external audit functions and their scope of work and results.

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(i) Board Audit Committee (continued)

The BAC reviewed the findings of the internal/external auditors and those of the examiners from BNM, as well as management's responses and actions taken to address the findings. The BAC also reviewed, inter-alia, the Company's financial statements, the impact of new or proposed changes in accounting standards and policies on the financial statements and the maintenance of a sound system of internal controls to safeguard shareholders' investment and the Company's assets. Besides reviewing and approving the Annual Audit Plan, the BAC also evaluated the independence, objectivity and effectiveness of the external auditors before recommending to the Board for onwards recommendation to the shareholders on their appointment or reappointment.

(ii) Board Risk Management Committee

The Board Risk Management Committee ("BRMC") supports the Board in the overall risk management oversight of the Company. As at reporting date, the BRMC comprises three (3) Independent Non-Executive Directors. The composition of the BRMC is as follows:

Members:	Status of Directorship
Ajit Nair	Independent Non-Executive Director, Chairman
Dato' Chan Choy Lin	Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman	Independent Non-Executive Director
Dr. Arumugam a/l Saminathan (appointed effective 1 January 2022, retired effective 26 May 2022)	Non-Independent Non-Executive Director

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(ii) Board Risk Management Committee (continued)

The BRMC met four (4) times during the financial year and the details of the members' attendance are as follows:

Name	Number of Meetings Attended	Percentage (%)
Ajit Nair	4/4	100
Dato' Chan Choy Lin	4/4	100
Dato' Khalid bin Abdol Rahman	4/4	100
Dr. Arumugam a/l Saminathan (appointed effective 1 January 2022, retired effective 26 May 2022)	2/2	100

BNM's Guidelines BNM/RH/GL 013-5 on Risk Governance requires the Board to ensure that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.

The Board must also provide effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework.

During the financial year 2022, the BRMC reviewed periodic management reports on risk exposure, risk portfolio and management strategies, mitigation plans and control measures ensuring adequacy of infrastructure, resources and systems for effective risk management, assessing adequacy of policies and framework for identifying, measuring, monitoring and controlling risks, as well as reviewing the extent to which these are operating effectively.

The role and responsibilities of BRMC is to support the Board in meeting the expectations on risk management as set out in the BNM PDs, which include amongst others, the PDs on Corporate Governance, Risk Governance, Operational Risk Management and Risk-Based Capital Framework for Insurers ("RBC").

(iii) Board Nomination and Board Remuneration Committees

The terms of reference of both Board Nomination Committee ("BNC") and Board Remuneration Committee ("BRC") are in compliance with the guidelines on the functions and responsibilities of the committees for insurers issued under BNM's PD on Corporate Governance.

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(iii) Board Nomination and Board Remuneration Committees (continued)

Board Nomination Committee

As at reporting date, the BNC comprises three (3) Independent Non-Executive Directors and one (1) Executive Director. The composition of the BNC is as follows:

Members:	Status of Directorship
Ajit Nair	Independent Non-Executive Director, Chairman
Dato' Chan Choy Lin	Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman	Independent Non-Executive Director
Sammy Chan Sum Yu	Executive Director

The BNC met six (6) times during the financial year and the details of the members' attendance are as follows:

Name	Number of Meetings Attended	Percentage (%)
Ajit Nair	6/6	100
Dato' Chan Choy Lin	6/6	100
Dato' Khalid bin Abdol Rahman	6/6	100
Sammy Chan Sum Yu	6/6	100

The BNC is entrusted with the responsibility to consider and evaluate the appointment of new Directors and existing Directors to sit on the Board Committees of the Company and to recommend candidates to the Board for appointment and reappointment or re-election. The committee is also responsible to recommend to the Board the appointment of the Chief Executive Officer and key senior officers of the Company.

With regard to retiring directors, the BNC reviews the suitability and competencies and contributions of Directors for re-election and reappointment before recommending them to the Board for approval and subsequently to the shareholders for approval at the Annual General Meeting.

The BNC also annually reviews the Board's structure, size and composition and the mix of skills and core competencies required for the Board to discharge its duties effectively. It also assesses on an annual basis, the effectiveness of the Board as a whole and the Board Committees and the contributions of each individual Director. In addition, the BNC deliberates Board succession plans as and when appropriate.

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(iii) Board Nomination and Board Remuneration Committees (continued)

Board Remuneration Committee

As at reporting date, the BRC comprises three (3) Independent Non-Executive Directors. The composition of the BRC is as follows:

Members:	Status of Directorship
Dato' Chan Choy Lin	Independent Non-Executive Director, Chairman
Dato' Khalid bin Abdol Rahman	Independent Non-Executive Director
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)	Non-Independent Non-Executive Director
Ajit Nair (appointed effective 1 January 2022)	Independent Non-Executive Director

The BRC met two (2) times during the financial year and the details of the members' attendance are as follows:

Name	Number of Meetings Attended	Percentage (%)
Dato' Chan Choy Lin	2/2	100
Dato' Khalid bin Abdol Rahman	2/2	100
Dr. Arumugam a/l Saminathan (retired effective 26 May 2022)	1/1	100
Ajit Nair (appointed effective 1 January 2022)	2/2	100

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate the Directors, Chief Executive Officer and key senior officers of the quality required to manage the Company. In this respect, the BRC reviews and approves the remuneration packages of the Directors, Chief Executive Officer and key senior officers of the Company.

(b) Management Accountability

The Company has an organisational structure with clearly communicated defined lines of accountability and delegated authority to ensure proper identification of responsibilities and segregation of duties. The operational authority limits covering all aspects of operations which include underwriting, claims and finance are reviewed and updated as appropriate. Clearly documented job descriptions for all management and executive employees are maintained while formal appraisals of performance are conducted at least once annually. Any fundamental to the organisational structure are communicated to all staff.

CORPORATE GOVERNANCE (CONTINUED)

(b) Management Accountability (continued)

The Directors who hold office or possess property do not have any direct or indirect interest, which is in conflict with their duty or interest as Directors, as referred to in Section 58 of the Financial Services Act, 2013.

(c) Remuneration Policy

The Remuneration Policy ("Policy") is one of the key components of the Human Resources strategy to fully support the overall business strategy.

The main functions of the Policy are to:
- support the Company's strategy to build a healthy and high performance based culture that attracts, retains, motivates and rewards employees based on merit.
- promote the achievement of strategic objectives within the Company's risk appetite.

Scope of Coverage

The policy is applicable to all permanent and contract employees of the Company. We believe the long term success of the Company is directly linked to the positive attitude and caliber of employees that we employ and the working environment that we create.

Remuneration Philosophy

The Company's remuneration philosophy is to:
- recruit, motivate, reward and retain employees who believe in, and live by, the Company's culture and values.
- maintain a healthy working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Company.
- set employees' total remuneration package at a competitive level by benchmarking to the market and providing incentives geared to agreed performance outcomes, where appropriate.

Key Remuneration Principles

The Remuneration Policy is based fundamentally on the following principles:
- The Policy is aligned to the overall business strategy, objectives and values of the Company without being detrimental to the interests of its policy holders.
- The Policy contains arrangements for ensuring that executive remuneration is fair and responsible in the context of overall company remuneration.
- The remuneration includes fixed, variable, short and long-term as well as intangible rewards (in line with market practice), or any other rewards the Company may deem fit from time to time.
- The Policy encourages employees to be prudent risk takers and to act in the interest of the Company.
- Incentives aimed at encouraging retention are clearly distinguished from those relating to rewarding performance.
- Bonus is at the discretion of the Board, subject to the performance of the Company.
- The Policy ensures compliance with the regulatory requirements and law.
- Performance measures take into account both quantitative as well as qualitative factors consistent with Company's culture.

CORPORATE GOVERNANCE (CONTINUED)

(c) Remuneration Policy (continued)

Key Remuneration Principles (continued)

Remuneration Guiding Principle

Base Principle
- The key objective is to provide the base element of remuneration that reflects the person's role/position in the Company and is payable for doing the expected job.
- Base Salary is determined generally by job at a competitive and fair market rate.
- Base Salary should exclude Fixed Allowances.
- Base Salary is targeted at market median (P50) in general, but can be targeted at between market P50 to P75 for critical positions, key talents and high-value specialists.
- External competitiveness and internal equity should be well balanced.

Market Benchmarking & Positioning
- Comparisons of reward programs are primarily made against major companies that the Company competes with for business and talents in the markets where we operate in.
- Pay positioning is benchmarked to both local and foreign companies in the market.
- Participation in the remuneration survey of the financial services industry.
- Internal salary structure should be market competitive and reviewed as and when necessary.

Benefits
- Risk and non-risk benefits are market driven whilst always maintaining a balance between benefits to employees and costs to / long term interest of the Company.
- Cope with emerging benefits trends.
- Comply with local regulations.
- Long term cost containment.

Elements of the Remuneration Plan

The remuneration plan includes, but is not limited to, the following elements:

Remuneration Element	Purpose
Guaranteed package	- Pays based on overall job requirements, accountability, complexity / variety of tasks. - Ensures that the Company attracts and retains high-performing people by paying market based guaranteed package.
Short-term incentives - Performance Bonus	- Focuses on attaining results in both the short and medium term, whilst at the same time ensuring successful execution of the Company's strategic plan. - Variable component that rewards contributions based on performance and prudent risk taking behavior.
Long-term incentives	- Crucial in retaining dedication and committed employees. - Rewards sustainable performance.
Recognition	- Supports and reinforces innovation and entrepreneurship. - Recognises employees living the values of the Company and contributing towards an entrepreneurial culture.

CORPORATE GOVERNANCE (CONTINUED)

(c) Remuneration Policy (continued)

Elements of the Remuneration Plan (continued)

Communication

- Email communication and Virtual briefing to the Head of Departments ("HODs") and Branch Managers ("BMs") on the annual appraisal exercise and the requirements.
- Communicate the key elements and process to Managers.

Key Management Personnel

The remuneration process includes strict adhereance to regulatory requirements and active oversight by the Board whereby the remuneration of the CEO and material risk takers, i.e. Key Management Personnel ("KMP") are reviewed and approved by the Remuneration Committee and Board annually. The management maintains and regularly reviews the list of Senior Management Team grade, General Manager and above, who fall within the definition of "material risk takers".

The remuneration for the CEO, the Senior Officers and Other Material Risk Takers for the current financial year is shown in the table below:

	CEO		Senior Officers and Other Material Risk Takers	
Total value of remuneration awards for the financial year	**Unrestricted RM**	**Deferred RM**	**Unrestricted RM**	**Deferred RM**
Fixed Remuneration				
Cash-based	678,012	-	2,991,611	-
Shares and share-linked instruments	20,053	-	24,685	-
Other	314,536	-	675,666	-
Variable Remuneration				
Cash-based	159,909	-	430,640	-
Shares and share-linked instruments	12,793	-	17,115	-
Other	-	-	4,183	-

The breakdown of the total amount of remuneration for directors for the financial year under reivew, disclosed individually for each director, is tabled in Note 24(b) to the Audited Financial Statements for the year ended 31 December 2022.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(c) Remuneration Policy (continued)

Elements of the Remuneration Plan (continued)

Interpretation

The Chief Executive Officer is authorised to resolve any issues which may arise in the course of administering the Compensation Schemes/Plans.

Policy Review

The Policy shall be reviewed from time to time, as necessary and appropriate. Any revision to the Policy shall be reviewed by the Remuneration Committee to recommend to the Board for approval.

Material Risk Takers

Material Risk Takers are also the key management personnel and the remuneration structure is as disclosed in Note 29 to the financial statements.

(d) Corporate Independence

The Company has met all the requirements of BNM's Guidelines BNM/RH/GL 018-6 on Related Party Transactions and BNM Circular on Intercompany Charges paid to Related Entities. Other than the provision of financial services which are on normal commercial terms and in the ordinary course of business, all material related party transactions have been disclosed in the audited financial statements in accordance with MFRS124 *Related Party Disclosures*.

(e) Internal Controls and Operational Risk Management

The Board oversee the design and development of the risk management framework and ensure that the framework is effective for controlling risk-taking activities of the Company in line with its risk appetite and has taken into account changes in the business environment. In doing so, the Board provide constructive challenge to management on the credibility and robustness of the framework to ensure that there are no material gaps or weaknesses.

The risk management framework must enable the identification, measurement, and continuous monitoring of all relevant and material risks on a group and company-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the Company. The sophistication of the Company's risk management framework must keep pace with any changes in the Company's risk profile (including its business growth and complexity) and the external risk environment.

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

The Board has the overall responsibility to ensure the maintenance of internal control system and risk management framework for the Company in order to provide reasonable assurance for effective and efficient operations, internal financial controls and compliance with laws and regulations.

There is a continuous process present for identifying, evaluating and managing the key risks of the Company. This process is periodically reviewed by the BRMC and the Board. The risk management framework is maintained in the Company by the Risk Management Department ("RMD") which is headed by the Chief Risk Officer ("CRO"). The CRO reports directly and independently to the BRMC of the Company.

During the financial year, the RMD identified and assessed the Company's keys risks on an annual basis. The key risks of the Company comprised of strategic risks, insurance risks (i.e. product risks and underwriting risks), financial risks, operational risks, and emerging risks. All the key risks were reflected in the Company's Risk Profile. RMD will review and monitor the Company's key risks and controls/ action on a quarterly basis.

The disclosure of the Company's risk management policies are set out under Notes 30, 31 and 32 to the financial statements.

Apart from the above, the following key committees, among others, continue to serve the objective of enhancing the risk management culture in the Company:

(i) The Executive Risk Management Committee, which was established on 8 November 2018, is an executive-led management committee accountable to the BRMC. The purpose of the Committee is to assist the BRMC in fulfilling its oversight responsibilities relating to risk management, legal and regulatory compliance, capital management and related matters as well as risks and opportunities relating to strategic decisions undertaken by the Company.

(ii) The Executive Risk Management Committee is tasked to develop and implement a Business Continuity Framework, which include the Company's business continuity plan ("BCP") to support critical business functions in the event of a disruption to the operations. It also has in place an IT Disaster Recovery Plan ("ITDRP") which aims to ensure that disruptions to IT operations and services are mitigated to an acceptable level through a combination of well-planned contingency and recovery controls. The Company had tested the BCP and the ITDRP last year, with observation by the internal audit team.

(iii) The Information Technology Steering Committee is an executive-led management committee accountable to monitor the overall efficiency, performance and effectiveness of IT services. The purpose of the Committee is to assist senior management in fulfilling its oversight responsibilities relating to the Company's Information Technology matters, risks and opportunities relating to IT strategies and strategic decisions to fulfill the Company's long-term goals.

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

Apart from the above, the following key committees, among others, continue to serve the objective of enhancing the risk management culture in the Company (continued):

(iv) The Pricing Steering Committee addresses the challenges of the detariffication for motor and fire. In 2017, the Company increased the scope of the Pricing Steering Committee to a Product Development and Pricing Steering Committee to include the review of existing products and undertake the planning, design and development of new products, to meet the prevailing BNM guidelines, e.g. BNM/RH/STD 029-10 on Introduction of New Products by Insurers and Takaful Operators and BNM/RH/GL 000-3 on Guidelines on Product Transparency and Disclosure. The Committee has hence been renamed to Product Development and Pricing Steering Committee. All newly developed products within the scope of the policy document are submitted to the Board for notation or approval and where appropriate to BNM for approval.

(v) The Occupational Safety and Health Management Committee is committed to provide a working environment that emphasises on the safety and health of the employees. The Committee develops and adopts relevant policies and applicable best practices to improve the standard of safety and health environment of the Company.

The Company operates in a highly regulated business environment that is subject to prudential and supervisory review by BNM and Persatuan Insurans Am Malaysia ("PIAM"). The Company Secretary and management keep the Board apprised of new laws and guidelines and changes thereof as well as new accounting and insurance standards to be adopted by the Company. To address compliance risks, the Company has a designated Compliance Officer who is responsible for implementing a compliance framework to provide reasonable assurance that the Company's business is conducted in compliance with the relevant laws, regulations and internal/external guidelines. The Compliance Department submits a compliance statement to the Board on a quarterly basis.

The Internal Audit department is headed by the Chief Internal Auditor. The Internal Audit department reports directly to the BAC.

The roles and responsibilities of the BAC with respect to Internal Audit functions are in accordance with BNM's PD on Corporate Governance issued on 3 August 2016.

Internal Audit function adopts a systematic and disciplined, risk-based audit methodology, and prepares its audit strategy and annual plan based on the risk profiles of the business and functional departments of the Company, identified through an audit risk management process. Internal Audit independently reviews the risk exposures and control processes of governance, operations and information systems implemented by management. Internal Audit activities are guided by the annual audit plan approved by the BAC, with its status of achievement reported at every BAC meeting.

Internal Audit reports are tabled at the BAC meetings, after audit findings have been addressed by management. Follow-up procedures are carried out by Internal Audit to ensure that agreed action plans to improve controls are implemented by management on a timely basis. The BAC meets with the external auditors at least once annually without the presence of management to discuss any problems, issues and concerns arising from the interim and final statutory audits, as well as any other relevant matters.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

These initiatives, together with the implementation of the external auditors' recommendations for improvement on internal controls, provide reasonable assurance that necessary control procedures are in place.

The other key elements of the Company's system of internal control are stated below:

(i) Corporate culture

The Board and management of the Company set the requirements for an effective control culture in the organisation through the Company's core corporate values i.e. professionalism, integrity, excellent customer service, teamwork and governance.

(ii) Organisation structure

The Company has an organisational structure showing clearly defined lines of accountability and delegated authority levels to ensure effectiveness of the internal control system. Any changes to organisational structure are communicated to all staff to ensure proper identification of responsibilities and segregation of duties.

(iii) Communication

Regular management meetings are held in the Company to discuss the financial performance, operational performance, business issues, implications of new risks and any other relevant matters.

(iv) Staff competency and succession planning

The professionalism and competency of staff are enhanced through continuous training and development programmes and a structured recruitment process. A performance planning and appraisal system of staff is in place with established key performance indicators and competencies subject to annual review. The Company has a Code of Ethics that guides all staff in their work performance and in upholding their ethical standards.

The Board is cognisant of its responsibilities to identify and develop viable candidates for long term succession planning of the senior management. The senior management has identified key staff for critical functions to ensure a smooth succession plan is in place.

(v) Whistleblowing program

Whistleblowing is considered an effective safeguard against fraud, corruption or other malpractice that undermines the internal control system and organisational reporting lines. Hence, the Company has implemented a whistleblowing program to encourage its staff and any external parties to report, in good faith, any suspicion of fraud, irregularity or misdemeanour, without fear of reprisals by any party. The Board shall review concerns, including anonymous complaints, which staff or external parties may, in confidence, raise about possible misconduct or improprieties within the Company and shall have the concerns independently investigated by the internal audit department and/or external service providers whom the Board may think fit.

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

(vi) Independence of external auditors

The Company has adopted a policy on the provision of non-audit services to be rendered by the external auditors. The Company ensures that the external auditors' ability to conduct audits objectively and independently is not impaired, or perceived to be impaired. Unless specifically allowed by the Board, the Company only engages the services of the external auditors for audit assurance. The Board also reviews the total fees earned by the external auditors from non-audit services rendered to the Company for assurance that the independence of the external auditors is not impaired.

(f) Public Accountability and Fair Practices

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company has taken the appropriate steps to ensure that all insurance policies issued or delivered to all policyholders contain the necessary information to alert them of the existence of the Ombudsman for Financial Services and BNM LINK, in compliance with the requirements of BNM's BNM/RH/GL 003-9 Guidelines on Claims Settlement Practices (Consolidated) and BNM/RH/GL 000-3 Guidelines on Product Transparency and Disclosure. The Ombudsman for Financial Services and BNM LINK were set up with the view to provide alternative avenues for the policyholders/claimants to seek redress if the complaint/appeal is not resolved by the Financial Service Provider.

The Company has also taken the necessary measures to comply with the requirements pursuant to BNM's BNM/RH/STD 029-10 on Introduction of New Products by Insurers and Takaful Operators, BNM/RH/GL 000 -3 on Guidelines on Product Transparency and Disclosure, BNM/RH/PD 029-8 Phased Liberalisation of Motor and Fire Tariffs and BNM/RH/GL/003-20 Guidelines on Medical and Health Insurance Business (Revised).

In line with the Bank Negara Malaysia Financial Sector Blueprint 2012-2020, the Company has taken the necessary actions to migrate payment to e-payment, as a means to improve payment efficiency to the insuring public and the prevention of fraud.

(g) Financial Reporting

The Board has overall oversight responsibility for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the provisions of the Companies Act 2016 in Malaysia and relevant regulatory requirements.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing-off of impaired debts and the making of impairment allowance for impaired debts, and had satisfied themselves that all known impaired debts had been written off and that adequate impairment allowance had been made for impaired debts; and

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

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

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

(ii) the values attributed to the current assets in the financial statements of the Group and 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 Group and 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 of financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group and 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 Group and the Company which has arisen since the end of the financial year other than as disclosed in Note 34.

(f) In the opinion of the Directors:

(i) no contingent or other liability other than as disclosed in Note 34 has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet its obligations when they fall due; and

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

(g) Before the financial statements of the Group and Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77, is the immediate holding company. The ultimate holding company is Fairfax Financial Holdings Limited ("FFHL"), a company incorporated in Canada.

SUBSEQUENT EVENT

There were no material events subsequent to the end of the current financial year that have not been reported in the financial statements for the financial year ended 31 December 2022.

AUDITORS' REMUNERATION

	Group RM	Company RM
Audit fees	400,307	389,300
Audit related-services fees	1,050	1,050

The auditors' remuneration is disclosed in Note 24 to the financial statements. The auditors were not granted indemnity or insurance by the Group and the Company.

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 in accordance with a resolution of the Directors dated 17 March 2023.

DATO' KHALID BIN ABDOL RAHMAN
DIRECTOR

DATO' CHAN CHOY LIN
DIRECTOR

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022		2021	
		Group RM	Company RM	Group RM	Company RM
Gross earned premiums	19(a)	659,050,645	659,050,645	539,914,072	539,914,072
Earned premiums ceded to reinsurers	19(b)	(322,712,151)	(322,712,151)	(257,198,412)	(257,198,412)
Net earned premiums	19	336,338,494	336,338,494	282,715,660	282,715,660
Investment income	20	22,705,236	14,990,075	20,006,614	18,874,143
Realised (losses)/gains	21	(14,910,585)	(896,289)	(811,231)	32,121
Fee and commission income	23	49,704,903	49,704,903	50,262,357	50,262,357
Other operating income		1,415,865	1,415,865	1,302,781	1,302,781
Other income		58,915,419	65,214,554	70,760,521	70,471,402
Total revenue		395,253,913	401,553,048	353,476,181	353,187,062
Gross benefits and claims paid	14(i)	(333,941,695)	(333,941,695)	(230,823,692)	(230,823,692)
Claims ceded to reinsurers	14(i)	153,481,874	153,481,874	95,866,817	95,866,817
Gross change to claims liabilities		(104,823,725)	(104,823,725)	(7,231,069)	(7,231,069)
Change to claims liabilities ceded to reinsurers		73,463,974	73,463,974	(27,185,138)	(27,185,138)
Net benefits and claims		(211,819,572)	(211,819,572)	(169,373,082)	(169,373,082)
Fee and commission expenses		(77,365,593)	(77,365,593)	(70,785,947)	(70,785,947)
Management expenses	24	(98,026,223)	(97,412,748)	(90,191,723)	(89,128,641)
Fair value gains/(losses)	22	6,275,405	(638,799)	(29,004,608)	(29,762,748)
Other expenses		(169,116,411)	(175,417,140)	(189,982,278)	(189,677,336)
Finance cost		(1,802,988)	(1,802,988)	(1,848,554)	(1,848,554)
Profit/(Loss) before taxation		12,514,942	12,513,348	(7,727,733)	(7,711,910)
Taxation	25	(3,027,371)	(3,027,371)	5,455,962	5,455,962
Net profit/(loss) for the financial year		9,487,571	9,485,977	(2,271,771)	(2,255,948)
Net profit/(loss) and total comprehensive income/ (expense) for the financial year		9,487,571	9,485,977	(2,271,771)	(2,255,948)
Net profit/(loss) and total comprehensive income/ (expense) for the financial year attributable to:					
Owner of the Company		9,483,475	9,485,977	(2,262,181)	(2,255,948)
Unitholders		4,096	-	(9,590)	-
		9,487,571	9,485,977	(2,271,771)	(2,255,948)
Earnings per share attributable to owner of the Company (sen)					
Basic	26	4.3	4.3	(1.0)	(1.0)

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

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
ASSETS					
Property and equipment	3	40,233,353	40,233,353	41,916,821	41,916,821
Investment properties	4	15,685,036	15,685,036	16,056,251	16,056,251
Intangible assets	5	47,328,463	47,328,463	48,219,915	48,219,915
Investments:					
Fair value through profit or loss financial assets	6	276,307,814	286,237,771	515,813,396	529,489,481
Amortised cost	6	295,833,938	295,833,938	73,977,473	73,977,473
Reinsurance assets	8	618,224,693	618,224,693	520,676,952	520,676,952
Insurance and other receivables	9	151,061,687	151,061,687	114,210,638	114,406,035
Right-of-use assets	10	4,266,407	4,266,407	3,367,331	3,367,331
Loans	11	382,989	382,989	552,798	552,798
Deferred tax asset	15	7,139,735	7,139,735	10,287,608	10,287,608
Tax recoverable		8,756,708	8,756,708	7,513,954	7,513,954
Cash and cash equivalents		257,485,457	247,083,763	149,038,149	134,660,617
Total assets		1,722,706,280	1,722,234,543	1,501,631,286	1,501,125,236
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	219,875,038	219,875,038	219,875,038	219,875,038
Capital reserve		1,703,625	1,703,625	-	-
Retained profits		198,791,037	198,775,824	189,307,562	189,289,847
Total equity		420,369,700	420,354,487	409,182,600	409,164,885
Liabilities					
Insurance contract liabilities	14	1,115,051,942	1,115,051,942	943,665,256	943,665,256
Subordinated loans	17	35,898,806	35,898,806	35,898,806	35,898,806
Insurance and other payables	16	147,085,409	146,628,885	109,416,842	108,928,507
Lease liabilities	18	4,300,423	4,300,423	3,467,782	3,467,782
Total liabilities		1,302,336,580	1,301,880,056	1,092,448,686	1,091,960,351
Total equity and liabilities		1,722,706,280	1,722,234,543	1,501,631,286	1,501,125,236

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Attributable to owners of the Company			
	Note	Share capital RM	Capital reserve RM	Retained earnings RM	Total equity RM
Group					
At 1 January 2021		219,875,038	-	216,569,743	436,444,781
Net loss for the financial year		-	-	(2,262,181)	(2,262,181)
Dividend paid	27	-	-	(25,000,000)	(25,000,000)
At 31 December 2021		219,875,038	-	189,307,562	409,182,600
At 1 January 2022		219,875,038	-	189,307,562	409,182,600
Net profit for the financial year		-	-	9,483,475	9,483,475
Equity owner transaction		-	1,703,625	-	1,703,625
At 31 December 2022		219,875,038	1,703,625	198,791,037	420,369,700

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable		Distributable	
	Note	Share capital RM	Capital reserve RM	Retained earnings RM	Total equity RM
Company					
At 1 January 2021		219,875,038	-	216,545,795	436,420,833
Net loss for the financial year		-	-	(2,255,948)	(2,255,948)
Dividend paid	27	-	-	(25,000,000)	(25,000,000)
At 31 December 2021		219,875,038	-	189,289,847	409,164,885
At 1 January 2022		219,875,038	-	189,289,847	409,164,885
Net profit for the financial year		-	-	9,485,977	9,485,977
Equity owner transaction		-	1,703,625	-	1,703,625
At 31 December 2022		219,875,038	1,703,625	198,775,824	420,354,487

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	Group RM	Company RM	Group RM	Company RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	12,514,942	12,513,348	(7,727,733)	(7,711,910)
Adjustment for:				
Depreciation of property and equipment	2,008,545	2,008,545	2,176,733	2,176,733
Gain on disposal of property and equipment	(79)	(79)	(4,220)	(4,220)
Property and equipment written-off	6,339	6,339	172,725	172,725
Intangible assets written-off	-	-	13,695	13,695
Finance cost on subordinated loans	1,703,625	1,703,625	1,703,625	1,703,625
Finance cost on lease liability	99,363	99,363	144,928	144,928
Change in fair value of FVTPL financial assets	(6,275,405)	638,799	29,004,608	29,762,748
Foreign currency translation differences	(1,560,230)	(1,560,230)	(1,067,806)	(1,067,806)
Depreciation of investment properties	371,215	371,215	371,214	371,214
Amortisation of intangible assets	961,690	961,690	991,084	991,084
Depreciation of right-of-use assets	3,551,710	3,551,710	3,576,120	3,576,120
Net loss on disposal of FVTPL financial assets	14,904,325	890,029	629,031	(214,321)
Investment income	(22,705,236)	(14,990,075)	(20,006,614)	(18,874,143)
Bad debts written-off/(recovery)	69,911	69,911	(292,235)	(292,235)
Provision for/(Write-back of) allowance for impairment losses:				
Insurance receivables and reinsurance recoverables	87,148	87,148	1,308,705	1,308,705
Reinsurance assets	(68,323)	(68,323)	(63,344)	(63,344)
Rent concession	-	-	(4,670)	(4,670)
Cash from operations before changes in operating assets and liabilities	5,669,540	6,283,015	10,925,846	11,988,928
Changes in working capital:				
Purchase of investments	(694,957,556)	(329,040,574)	(427,720,126)	(103,935,929)
Proceeds from disposal/ maturity of investments	705,567,161	352,703,935	378,626,315	52,534,374
Increase in loans and receivables	169,809	169,809	71,423	71,423
(Increase)/Decrease in reinsurance assets	(97,479,418)	(97,479,418)	13,250,296	13,250,296
(Increase)/Decrease in insurance and other receivables	(37,008,108)	(36,812,711)	41,124,683	42,270,097

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	Group RM	Company RM	Group RM	Company RM
Increase in insurance contract liabilities	171,386,686	171,386,686	35,371,566	35,371,566
Increase/(Decrease) in insurance and other payables	37,660,372	37,700,376	(12,009,709)	(12,017,233)
Net increase in working capital	91,008,486	104,911,118	39,640,294	39,533,522
Investment income received	22,676,059	12,753,361	21,560,919	18,555,059
Interest paid on lease liabilities	(99,363)	(99,363)	(144,928)	(144,928)
Income tax paid	(1,122,250)	(1,122,250)	(5,227,750)	(5,227,750)
Net cash generated from operating activities	112,462,932	116,442,866	55,828,535	52,715,903
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(331,416)	(331,416)	(275,274)	(275,274)
Purchase of intangible assets	(70,238)	(70,238)	(127,200)	(127,200)
Proceeds from disposal of property and equipment	79	79	9,070	9,070
Distribution to unitholders	4,096	-	(9,590)	-
Net cash used in investing activities	(397,479)	(401,575)	(402,994)	(393,404)
CASH FLOWS FROM FINANCING ACTIVITY				
Dividend paid on ordinary share	-	-	(25,000,000)	(25,000,000)
Repayment of lease liabilities	(3,618,145)	(3,618,145)	(3,641,041)	(3,641,041)
Net cash used in financing activity	(3,618,145)	(3,618,145)	(28,641,041)	(28,641,041)
NET INCREASE IN CASH AND CASH EQUIVALENTS	108,447,308	112,423,146	26,784,500	23,681,458
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	149,038,149	134,660,617	122,253,649	110,979,159
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	257,485,457	247,083,763	149,038,149	134,660,617

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	Group RM	Company RM	Group RM	Company RM
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions	236,089,801	225,720,903	133,332,981	121,185,099
Cash and cash equivalents	21,395,656	21,362,860	15,705,168	13,475,518
	257,485,457	247,083,763	149,038,149	134,660,617

Reconciliation of liabilities arising from financing activities

	2022		2021	
	Principal RM	Interest payable RM	Principal RM	Interest payable RM
Group and Company				
Subordinated loans				
At 1 January	24,337,504	11,561,302	24,337,504	9,857,677
Interest charge	-	-	-	1,703,625
At 31 December	24,337,504	11,561,302	24,337,504	11,561,302

	2022 RM	2021 RM
Lease liabilties		
At 1 January	3,467,782	4,834,211
Cash flows	(3,717,508)	(3,785,969)
Interest charge	99,363	144,928
Lease additions	4,447,030	2,339,913
Change in consideration	3,756	(60,631)
Rent concession	-	(4,670)
At 31 December	4,300,423	3,467,782

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

1. CORPORATE INFORMATION

The principal activity of the Company consists of the underwriting of general insurance business. There has been no significant change in the nature of the principal activity of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 40-1, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur, 50470 Kuala Lumpur.

The Company is a subsidiary of Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77. The ultimate holding company is Fairfax Financial Holdings Limited, a company incorporated in Canada.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 March 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the RBC Framework and the Guidelines on Internal Capital Adequacy Assessment Process (“ICAAP”) for Insurers as at the date of the statements of financial position.

The preparation of financial statements in conformity with MFRSs 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 statements of financial position and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ.

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 2.3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company that are effective on or after 1 January 2022.

On 1 January 2022, the Group and the Company adopted the following amended standard mandatory for annual financial periods beginning on or after 1 January 2022.

- Amendments to MFRS 16 *Leases* - Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to MFRS 116 *Property, Plant and Equipment* - Proceeds before Intended Use
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* - Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to MFRS 3 *Business Combinations* - Reference to the Conceptual Framework
- Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018−2020” on the following:
  (a) MFRS 1 on subsidiary as First-time Adopter
  (b) MFRS 9 on fees in the 10% test for derecognition of financial liabilities
  (c) MFRS 140 on taxation in fair value measurements
  (d) Illustrative Example accompanying MFRS 16 on lease incentives

The application of the above amended standard issued by Malaysian Accounting Standards Board ("MASB") does not have any material impact to the current and prior periods financial statements upon their initial adoption.

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

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

- Amendments to MFRS 101 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 *Presentation of Financial Statements* - Disclosure of Accounting Policies
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates
- Amendments to MFRS 112 *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures* - Sale or Distribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by MASB)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and the Company but not yet effective on or after 1 January 2022 (continued).

These standards are not expected to have a material impact on the Group and the Company in the current or future reporting periods and on foreseeable future transactions except as discussed below:

<u>MFRS 17 Insurance Contracts</u>

MFRS 17 “Insurance Contracts" replaces MFRS 4 “Insurance Contracts” for reporting periods beginning on or after 1 January 2023.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 “Revenue”. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be ‘unbundled’ and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:
(i) Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
(ii) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and the Company but not yet effective on or after 1 January 2022 (continued).

MFRS 17 Insurance Contracts (continued)

The Group and the Company will adopt MFRS 17 on the required effective date. A Project Steering Committee has been formed to oversee the implementation of MFRS 17 and currently assessing the financial and other implications that may arise during the implementation of MFRS 17. The Group and the Company expect MFRS 17 to result in important changes to accounting policies for insurance contract assets and liabilities of the Group and the Company and is likely not to have a material impact on the results and total equity together with the Group's and the Company's financial statements' presentation and disclosures. The preparation of the 2022 comparative and the 1 January 2023 results under the new standard is progressing as planned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 5 to the financial statements on goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in the statements of comprehensive income. Acquisition related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the statements of comprehensive income attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Change in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of income.

(b) Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 9 *Financial Instruments* : Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in the statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable for operating in the manner intended by management.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f) to the financial statements.

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

Leasehold land and building	Over the remaining period of the lease or 50 years whichever is shorter
Office renovation	$33^{1}/3\%$
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Office equipment	10%
Computer equipment	20% - 50%

A depreciation rate of 50% is applied to computer notebooks on loan to agents of the Company.

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both are classified as investment properties.

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f) to the financial statements.

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment properties. The residual values and useful lives of the investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal is recognised in the statements of comprehensive income in the year in which it arises.

(e) Intangible assets

Intangible assets of the Group and the Company consist of computer software, acquired licence and goodwill.

Computer software

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f) to the financial statements.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

The computer software is amortised on a straight-line basis over the estimated economic useful life of 5 to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Intangible assets (continued)

Acquired licence

Acquired licence is shown at a historical cost. The licence has a finite useful life and is carried at cost less accumulated amortisation and accumulated losses. Licence is amortised on a declining balance method. The declining balance method allocates a greater amount of amortisation in the earlier years of an intangible assets's life than in the later years.

Acquired computer software licence is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, which includes import duties and non-refundable purchase taxes. This cost is amortised over their estimated useful lives of 7 years.

Goodwill

Goodwill arising on acquisition of general insurance business represents the excess of the cost of acquisition of the general insurance business over the fair value of the identifiable net assets recognised at the date of acquisition. Goodwill on acquisition of general insurance business is included in the statements of financial position as intangible assets. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill on acquisition of general insurance business is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment loss on goodwill on acquisition of general insurance business is recognised immediately as an expenses and is not subsequently reversed as set out in Note 2.2(f) on the accounting policy for impairment for non-financial assets.

Goodwill is allocated to cash-generating unit (“CGU”) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group and the Company allocate goodwill to the combined general insurance business as a whole, which has been identified as a CGU.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. The Group and the Company also assess goodwill that is subject to amortisation for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(g) Investments and other financial assets

i. Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

iii. Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (‘FVTPL’), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

There are two measurement categories into which the Group and the Company classify its debt instruments:

a. Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. The gain or loss arising on derecognition is recognised directly in statements of comprehensive income and presented in realised gains/(losses) whereas foreign exchange gains and losses are presented in other operating revenue. Impairment losses are presented as separate line item in the statements of comprehensive income.

b. FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and 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. Fair value changes is recognised in statements of comprehensive income and presented in fair value gains/(losses) whereas foreign exchange gains and losses are presented in other operating revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Investments and other financial assets (continued)

iii. Measurement (continued)

Equity instruments

Equity instruments are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuers' net assets.

The Group and the Company subsequently measure all equity instruments at FVTPL. Dividend will be recognised in income statements as investment income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in fair value gains/(losses) in the statements of comprehensive income.

iv. Reclassification

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as at FVOCI even when there is a change in business model. Such designations are irrevocable.

(h) Fair value of financial instruments

All financial instruments are recognised initially at the transacted price, which is the best indicator of fair value. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market such as unquoted securities, fair value is determined based on quotes from independent brokers.

(i) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. The Group and the Company assess on a forward looking basis the ECL associated with their debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Impairment of financial assets (continued)

The Group and the Company have two types of financial instruments that are subject to the ECL model:

- Insurance receivables and reinsurance recoverables
- Other receivables

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

The measurement of 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.

i. General 3-stage approach for other receivabels

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 months ECL if credit risk on other receivables has not increased significantly since initial recognition. For all other receivables, a loss allowance at an amount equal to lifetime ECL is required.

ii. Simplified approach for insurance receivables and reinsurance recoverables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which use a lifetime ECL for insurance receivables and reinsurance recoverables. The expected loss allowance is based on provisional matrix with the usage of forward-looking information in determining of ECL, including the use of macroeconomic information.

<u>Definition of default and credit-impaired financial assets</u>

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Impairment of financial assets (continued)

<u>Write-off</u>

The Group and the Company write off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor’s sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in gains recognised in statements of comprehensive income.

(j) Derecognition of financial assets

Financial assets are derecognised when the Group's and the Company’s contractual rights to the cash flows from the financial assets expires or when the Group and the Company transfer the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(l) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Non-current assets (or disposal groups) held for sale (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

(m) Equity instruments

Ordinary shares are classified as equity on the statements of financial position.

Dividends on ordinary shares are recognised and reflected in the statements of changes in equity when they are approved by the Group's and the Company’s shareholders. Interim dividends are deducted from equity when they are paid.

(n) Product classification

The Group and the Company issue contracts that transfer insurance risk only.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and the Company (the insurer) have 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 Group and the Company determine whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

(o) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Reinsurance (continued)

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

Gains or losses on buying reinsurance are recognised in the statements of comprehensive income immediately at the date of purchase and are not amortised.

The Group and the Company also assume reinsurance risk in the normal course of business for general insurance contracts when applicable.

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

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

(p) Underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, unearned premiums, commissions and claims incurred.

(i) Premium income

Premiums from direct business are recognised during the financial year upon the issuance of premium debit notes. Premiums in respect of risks incepted before the end of the reporting period for which policies are issued subsequent to the end of the reporting period are accrued at the end of the reporting period.

Inward treaty reinsurance premiums are recognised on the basis of available periodic advices received from ceding insurers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Underwriting results (continued)

(ii) Premium liabilities

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year, and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

(a) Unexpired risk reserves

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

(b) Unearned premium reserves

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

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

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

- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower:

- Motor and bonds	10%
- Fire, engineering, aviation and marine hull	15%
- Medical	10 - 15%
- Other classes	25%

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Underwriting results (continued)

(iii) Claim liabilities

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

(iv) Acquisition costs

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

(q) Insurance receivables and reinsurance recoverable

Insurance receivables and reinsurance recoverables are recognised when due and measured at the fair value of the consideration received and receivable.

If there is objective evidence that the insurance receivables and reinsurance recoverables is impaired, the Group and the Company reduce the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statements of comprehensive income. The Group and the Company gather the objective evidence that an insurance receivable is impaired using the same process and method as described in Note 2.2(i) to the financial statements.

(r) Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise outstanding claims provision and provision for unearned premiums.

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Insurance contract liabilities (continued)

The liability is calculated at the end of the reporting period using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The unearned premiums reserves represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Group and the Company review their unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the statements of comprehensive income by setting up a provision for liability adequacy.

(s) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

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

(ii) Interest income
Interest income is recognised on an accrual basis using the effective interest method.

(iii) Gross dividend/distribution income from unit trust funds
Gross dividend/distribution income from unit trust funds is recognised on a declared basis when the shareholder's/ unitholders' right to receive payment is established.

(iv) Net realised gain/loss on investment
On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Income tax

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 statements of comprehensive income.

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 Group and 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. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the end of the reporting period. Deferred tax is recognised as an income or an expense and included in the statements of comprehensive income for the period. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(u) Employee benefits

(i) Short-term benefits

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

Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into a separate entity and will have no legal or constructive obligation. The Group and the Company make statutory and voluntary contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income as incurred.

(iii) Employee share ownership plan

Employee share ownership plan (“ESOP”) is a long term investment plan for the employees within the Fairfax group to invest in the shares of Fairfax Financial Holdings Ltd through the employees’ salary deduction. The Company makes contributions to the plan and such contributions are recognised as an expense in the statements of comprehensive income as incurred.

(v) Foreign currencies

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency and presentation currency of the Group and the Company.

Foreign currency transactions are translated into RM using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statements of comprehensive income and presented within other operating revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Other financial liabilities and insurance payables

Other liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

(x) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and bank balances and fixed and call deposits with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

The statements of cash flows have been prepared using the indirect method.

(y) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition method

The particular recognition method adopted for financial instruments recognised on the statements of financial position is disclosed in the individual accounting policy note associated with each item.

Fair value estimation

The Group's and the Company's basis of estimation of fair values for financial instruments is as follow:

- the fair values of Malaysian Government Securities and Government investment issues are based on the indicative market prices;
- the fair values of unquoted corporate debt securities are based on the indicative market yield obtained from dealers and brokers;
- the fair values of quoted equity securities and Real Estate Investment Trusts ("REITs") are based on quoted prices;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(y) Financial instruments (continued)

Fair value estimation (continued)

The Group's and the Company's basis of estimation of fair values for financial instruments is as follow (continued):

- the fair values of the unit trust funds are based on the fair value of the underlying assets of the fund; and

- the carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

(z) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statements of comprehensive income within.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(aa) Leases in which the Group and the Company are lessee

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 Group and the Company (i.e. the commencement date).

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

(i) Lease term

In determining the lease term, the Group and the Company consider 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 Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are 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 (refer to (iv) below).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(aa) Leases in which the Group and the Company are lessee (continued)

(ii) ROU assets (continued)

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are 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.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.2(f) Impairment of non-financial assets.

(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 Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and 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 Group and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(aa) Leases in which the Group and the Company are lessee (continued)

(iii) Lease liabilities (continued)

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the finance cost in the statements 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, for example:

(a) A change in lease term due to the Group and the Company exercise an option (purchase / termination / extension) in a different way than the entity had previously determined was reasonably certain;
(b) A change in lease term due to an event occurs that contractually obliged / prohibits the Group and the Company from exercise the option;
(c) A change in the amounts expected to be payable under a residual value guarantee; or
(d) A change in future lease payments resulting from a change in an index or rate used to determine those payments

During the financial year, the Group and the Company account for a COVID-19-related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

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

The Group and the Company account for such COVID-19-related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Group and the Company present the impacts of rent concessions within operating expenses. The amount recognised in statements of comprehensive income for the reporting period to reflect changes in lease payments arising from rent concession to which the Group and the Company have applied the practical expedient for COVID-19-related rent concessions is RM Nil (2021: RM4,670).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(aa) Leases in which the Group and the Company are lessee (continued)

(v) Short-term leases asset

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment are recognised on a straight-line basis as an expense in profit or loss.

2.3 Significant accounting estimates and judgements

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

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

(a) Critical judgements made in applying the Group's and the Company’s accounting policies

In the process of applying the Group's and the Company's accounting policies, management is of the opinion that there are no instances of judgement which are expected to have a significant financial impact on the amounts and balances recognised in the financial statements.

(b) Key sources of estimation uncertainty and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims IBNR reserves at the end of the reporting period.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the claim liabilities. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Link Ratio and Bornheutter-Ferguson methods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(i) Valuation of insurance contract liabilities (continued)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(ii) Impairment of goodwill

The Group and the Company assess the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 2.2(f) to the financial statements. The recoverable amount of the goodwill has been determined based on the value of expected future new business, taking into account of expected future expense overruns. The key assumptions used in the assessment are disclosed in Note 5 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(iii) Provision for sliding scale commission

The Group and the Company recognise commission income on certain proportional reinsurance ceded that is subjected to commission adjustment based on incurred loss ratio of the ceded portfolio. Adjustments made for each financial period are based on the Group's and the Company's best estimate of ultimate incurred loss ratio for the ceded portfolio as it can take a significant period of time before the ultimate claims cost can be established with certainty.

The main assumption underlying the estimation are past claims development experience and claims incurred up to the date. The impact to financial performance and position on the possible change in commission rate is disclosed in Note 31 to the financial statements.

3. PROPERTY AND EQUIPMENT

	Office renovations RM	Motor vehicles RM	Furniture, fixtures, office equipment and computers RM	Freehold Building RM	Capital work-in progress RM	Total RM
Group/Company						
2022						
Cost						
At 1 January 2022	1,253,859	534,174	9,053,624	43,620,525	6,361	54,468,543
Additions	95,144	-	236,272	-	-	331,416
Disposals	-	-	(153,724)	-	-	(153,724)
Write-offs	(6,842)	-	(46,765)	-	-	(53,607)
At 31 December 2022	1,342,161	534,174	9,089,407	43,620,525	6,361	54,592,628
Accumulated depreciation						
At 1 January 2022	1,179,917	317,977	5,572,899	5,480,929	-	12,551,722
Charge for the financial year	54,659	98,970	978,144	876,772	-	2,008,545
Disposals	-	-	(153,724)	-	-	(153,724)
Write-offs	(6,842)	-	(40,426)	-	-	(47,268)
At 31 December 2022	1,227,734	416,947	6,356,893	6,357,701	-	14,359,275
Net book value	114,427	117,227	2,732,514	37,262,824	6,361	40,233,353

3. PROPERTY AND EQUIPMENT (CONTINUED)

	Office renovations RM	Motor vehicles RM	Furniture, fixtures, office equipment and computers RM	Freehold Building RM	Capital work-in progress RM	Total RM
Group/Company						
2021						
Cost						
At 1 January 2021	1,235,759	534,174	9,780,114	43,620,525	6,361	55,176,933
Additions	18,100	-	257,174	-	-	275,274
Disposals	-	-	(435,247)	-	-	(435,247)
Write-offs	-	-	(548,417)	-	-	(548,417)
At 31 December 2021	1,253,859	534,174	9,053,624	43,620,525	6,361	54,468,543
Accumulated depreciation						
At 1 January 2021	1,060,359	211,991	5,304,572	4,604,156	-	11,181,078
Charge for the financial year	119,558	105,986	1,074,416	876,773	-	2,176,733
Disposals	-	-	(430,397)	-	-	(430,397)
Write-offs	-	-	(375,692)	-	-	(375,692)
At 31 December 2021	1,179,917	317,977	5,572,899	5,480,929	-	12,551,722
Net book value	73,942	216,197	3,480,725	38,139,596	6,361	41,916,821

4. INVESTMENT PROPERTIES

	2022 RM	2021 RM
Group/Company		
Cost		
At 1 January/31 December	18,496,596	18,496,596
Accumulated depreciation		
At 1 January	2,440,345	2,069,131
Charge for the financial year	371,215	371,214
31 December	2,811,560	2,440,345
Net book value	15,685,036	16,056,251
Fair value	19,690,000	18,850,000

The fair value of the properties are estimated at RM19,690,000 based on valuations performed by an independent professionally qualified valuer. The fair value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of investment properties are categorized at Level 2 of the fair value hierarchy. Fair value of the investment properties are measured in whole by reference to inputs other than the quoted price included within Level 1 that are observable for the investment properties, either directly or indirectly. The investment properties are valued using the Comparison Method.

There were no transfers between Level 1 and 2 fair value measurements during the financial year.

4. INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2022, two commercial investment properties held by the Company are leased to third parties. Rental income from the properties is included in Note 20 to the financial statements.

5. INTANGIBLE ASSETS

	Goodwill RM	Computer Software and Licence RM	Capital work-in progress RM	Total RM
Group/Company				
2022				
Cost				
At 1 January 2022	40,103,501	11,302,024	-	51,405,525
Additions	-	70,238	-	70,238
Written Off	-	(799)	-	(799)
At 31 December 2022	40,103,501	11,371,463	-	51,474,964
Accumulated Amortisation				
At 1 January 2022	-	3,185,610	-	3,185,610
Charge for the financial year	-	961,690	-	961,690
Written Off	-	(799)	-	(799)
At 31 December 2022	-	4,146,501	-	4,146,501
Net book value	40,103,501	7,224,962	-	47,328,463

5. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM	Computer Software and Licence RM	Capital work-in progress RM	Total RM
Group/Company				
2021				
Cost				
At 1 January 2021	40,103,501	11,106,415	101,623	51,311,539
Additions	-	-	127,200	127,200
Written Off	-	(33,214)	-	(33,214)
Reclassification	-	228,823	(228,823)	-
Reclassification from property and equipment (Note 3)				
At 31 December 2021	40,103,501	11,302,024	-	51,405,525
Accumulated Amortisation				
At 1 January 2021	-	2,214,045	-	2,214,045
Charge for the financial year	-	991,084	-	991,084
Written Off	-	(19,519)	-	(19,519)
At 31 December 2021	-	3,185,610	-	3,185,610
Net book value	40,103,501	8,116,414	-	48,219,915

5. INTANGIBLE ASSETS (CONTINUED)

(a) The Company tests goodwill on acquisition of general insurance business for impairment annually in accordance with its accounting policy as stated in Note 2.2(e). More regular reviews will be performed if events indicate that this is necessary. This was not the case in the current financial year.

(b) Goodwill is allocated to cash-generating units ("CGU"), being the combined general business as a whole, for the purpose of impairment testing.

(i) The growth is projected based on expected future new business at a growth rate ranging from 4.0% to 5.9% p.a (2021: ranging from 3.6% to 14.1% p.a.).
(ii) Retention ratio are projected ranging from 50.7% to 52.7% (2021: 59.7% to 67.4%).
(iii) Management expense ratio are projected ranging from 26.2% to 33.2% (2021: 19.5% to 27.1%).
(iv) Loss ratio are projected based on the management's expectation of claims experience ranging from 55.5% to 60.9% (2021: ranging from 60.8% to 63.7%).
(v) Pre tax discount rate at 11.5% (2021: 10.8%).
(vi) Other assumption used include commission ratio and investment return.

At 31 December 2022, the recoverable amount exceeds the carrying value of goodwill.

A reasonably possible change in any key assumption is not expected to cause the recoverable amount of the CGU to fall below its carrying amount.

6. INVESTMENTS

	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
Malaysian Government Securities	52,552,990	-	75,533,601	-
Government Investment Issues	49,769,736	-	112,752,567	-
Corporate Bonds	111,139,853	-	110,954,697	-
Unit Trust Investments	-	225,924,570	128,130,830	443,632,790
Equity securities	62,845,235	60,313,201	86,016,701	83,431,691
Real Estate Investment Trusts ("REITs")	-	-	2,425,000	2,425,000
Deposits with Licensed Financial Institutions	295,833,938	295,833,938	73,977,473	73,977,473
	572,141,752	582,071,709	589,790,869	603,466,954

The financial investments are summarised by categories as follows:

	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
FVTPL financial assets	276,307,814	286,237,771	515,813,396	529,489,481
AC	295,833,938	295,833,938	43,687,131	43,687,131
	572,141,752	582,071,709	559,500,527	573,176,612

The following investments mature after 12 months:

	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
FVTPL financial assets	181,616,856	-	271,107,086	-

(a) FVTPL financial assets

At fair value:

	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
Malaysian Government Securities	52,552,990	-	75,533,601	-
Government Investment Issues	49,769,736	-	112,752,567	-
Unit Trust Investments:				
- Quoted in Malaysia	-	-	128,130,830	128,130,830
- Unquoted in Malaysia	-	225,924,570	-	315,501,960
Corporate bonds	111,139,853	-	110,954,697	-
Equity securities:				
- Quoted in Malaysia	30,637,200	30,637,200	49,140,124	49,140,124
- Quoted outside Malaysia	29,676,001	29,676,001	34,291,567	34,291,567
- Unquoted in Malaysia	2,532,034	-	2,585,010	-
REITs	-	-	2,425,000	2,425,000
	276,307,814	286,237,771	515,813,396	529,489,481

(b) AC

At amortised cost:

	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
Deposits with Commercial Banks	295,833,938	295,833,938	73,977,473	73,977,473

6. INVESTMENTS (CONTINUED)

(b) AC (continued)

At amortised cost (continued):

Deposits with Commercial Banks have interest rates which range from 1.85% to 3.66% (2021: 1.85% to 2.3%) per annum with an average maturity period of 310 days (2021: 335 days).

(c) Carrying values of financial investments

	FVTPL RM	AC RM	Total RM
2022			
Group			
At 1 January 2022	515,813,396	73,977,473	589,790,869
Purchases	369,803,529	325,154,027	694,957,556
Maturities	(77,866,915)	(105,534,276)	(183,401,191)
Disposals	(537,070,295)	-	(537,070,295)
Fair value losses recorded in Statements of Comprehensive Income	6,275,405	-	6,275,405
Currency translations differences	1,560,231	-	1,560,231
Movement in accrued interest	(991,183)	2,236,714	1,245,531
Amortisation of premiums	(1,216,354)	-	(1,216,354)
At 31 December 2022	276,307,814	295,833,938	572,141,752
2021			
Group			
At 1 January 2021	527,230,131	43,687,131	570,917,262
Purchases	354,247,737	73,472,389	427,720,126
Maturities	(21,518,100)	(43,205,666)	(64,723,766)
Disposals	(314,531,580)	-	(314,531,580)
Fair value losses recorded in Statements of Comprehensive Income	(29,004,608)	-	(29,004,608)
Currency translations differences	1,067,806	-	1,067,806
Movement in accrued interest	(110,899)	23,619	(87,280)
Amortisation of premiums	(1,567,091)	-	(1,567,091)
At 31 December 2021	515,813,396	73,977,473	589,790,869
2022			
Company			
At 1 January 2022	529,489,481	73,977,473	603,466,954
Purchases	3,886,547	325,154,027	329,040,574
Maturities	-	(105,534,276)	(105,534,276)
Disposals	(248,059,688)	-	(248,059,688)
Fair value losses recorded in Statements of Comprehensive Income	(638,799)	-	(638,799)

6. INVESTMENTS (CONTINUED)

(c) Carrying values of financial investments (continued)

	FVTPL RM	AC RM	Total RM
2022			
Company (continued)			
Currency translations differences	1,560,230	-	1,560,230
Movement in accrued interest	-	2,236,714	2,236,714
At 31 December 2022	286,237,771	295,833,938	582,071,709
2021			
Company			
At 1 January 2021	536,835,270	43,687,131	580,522,401
Purchases	30,463,540	73,472,389	103,935,929
Maturities	-	(43,205,666)	(43,205,666)
Disposals	(9,114,387)	-	(9,114,387)
Fair value losses recorded in Statements of Comprehensive Income	(29,762,748)	-	(29,762,748)
Currency translations differences	1,067,806	-	1,067,806
Movement in accrued interest	-	23,619	23,619
At 31 December 2021	529,489,481	73,977,473	603,466,954

(d) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values and valuation methods as follows:

	Level 1 RM	Level 2 RM
Group		
2022		
Recurring fair value measurements		
FVTPL		
- Malaysian Government Securities	-	52,552,990
- Government Investment Issues	-	49,769,736
- Corporate Bonds	-	111,139,853
- Unit Trust Investments	-	-
- Equity Securities	62,845,235	-
	62,845,235	213,462,579

6. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments (continued)

	Level 1 RM	Level 2 RM
2021		
Recurring fair value measurements		
FVTPL		
- Malaysian Government Securities	-	75,533,601
- Government Investment Issues	-	112,752,567
- Corporate Bonds	-	110,954,697
- Unit Trust Investments	128,130,830	-
- Equity Securities	86,016,701	-
- REITs	2,425,000	112,752,567
	216,572,531	411,993,432

Company

	Level 1 RM	Level 2 RM
2022		
Recurring fair value measurements		
FVTPL		
- Unit Trust Investments	-	225,924,570
- Equity Securities	60,313,201	-
	60,313,201	225,924,570
2021		
Recurring fair value measurements		
FVTPL		
- Unit Trust Investments	128,130,830	315,501,960
- Equity Securities	83,431,691	-
- REITs	2,425,000	-
	213,987,521	315,501,960

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 and regularly 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).

6. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments (continued)

Financial instruments that are valued not based on observable market data are categorised as Level 3. There are no financial instruments categorised as Level 3.

There were no transfers between level 1 and 2 during the financial year.

7. STRUCTURED ENTITIES

The Group and the Company have determined that its investment in wholesale unit trust funds amounting to RM225,924,570 (2021: RM315,501,960) as disclosed in Note 6 to the financial statements as unit trust investments (“investee funds”). The Group and the Company invest in the investee funds whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The investee funds are managed by approved asset management companies and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund’s net assets.

The investee funds are classified as fair value through profit or loss and the changes in the fair value of financial assets at FVTPL are recognised in gains/(losses) in the statements of comprehensive income as applicable. The Company’s exposure to investments in the investee funds is disclosed below.

	2022 RM	2021 RM
Number of wholesale unit trust fund	2	3
Average net asset value per unit of wholesale unit trust funds:		
Opus Enhanced Income Fund	0.9931	0.9935
Affin Hwang Wholesale Fund 1	0.3438	0.3450
AmIncome Select	-	0.9591
Fair value of underlying assets:		
Corporate bonds	109,644,623	109,506,454
Malaysian Government Securities	52,158,591	75,021,730
Government Investment Securities	49,301,935	111,356,890
Equity Securities	2,515,246	2,567,461
Deposits with licensed financial institutions	10,362,310	14,216,328
Receivables	2,002,101	2,992,441
Cash equivalents	32,759	147,894
Other payables	(92,995)	(307,238)
	225,924,570	315,501,960
Total realised (loss)/gain for the financial year	(14,014,296)	(843,352)

As the Company has control over these investee funds which are considered wholly owned structured entities, these structured entities are consolidated in the Group's financial statements. The underlying assets of these structured entities have been duly consolidated as shown in Note 6 to the financial statements.

The investee funds for Opus Enhanced Income Fund and Affin Hwang Wholesale Fund 1 are audited by Crowe Horwath and PricewaterhouseCoopers PLT respectively.

8. REINSURANCE ASSETS

	2022 RM	2021 RM
Group/Company		
Reinsurance of insurance contracts (Note 14)	618,224,693	520,676,952

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair value at the date of the statements of financial position.

9. INSURANCE AND OTHER RECEIVABLES

	2022		2021	
	Group RM	Company RM	Group RM	Company RM
Due premiums including agents /brokers and co-insurers balances	73,798,367	73,798,367	44,137,994	44,137,994
Allowance for impairment	(2,545,843)	(2,545,843)	(1,577,772)	(1,577,772)
	71,252,524	71,252,524	42,560,222	42,560,222
Amounts due from reinsurers/ ceding companies	40,096,091	40,096,091	28,521,145	28,521,145
Allowance for impairment	(5,093,568)	(5,093,568)	(5,974,491)	(5,974,491)
	35,002,523	35,002,523	22,546,654	22,546,654
Total insurance receivables and reinsurance recoverables	106,255,047	106,255,047	65,106,876	65,106,876
Other receivables:				
Other receivables, deposits and prepayments	4,098,320	4,098,320	4,136,206	4,136,206
Malaysian Motor Insurance Pool ("MMIP")				
- Cash call made	10,859,477	10,859,477	14,859,477	14,859,477
- Other assets held in MMIP	29,848,843	29,848,843	30,008,011	30,008,011
Income due and accrued	-	-	100,068	295,465
Total other receivables	44,806,640	44,806,640	49,103,762	49,299,159
Total insurance and other receivables	151,061,687	151,061,687	114,210,638	114,406,035
Receivable within 12 months	151,061,687	151,061,687	114,210,638	114,406,035

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

MMIP as at 31 December 2022 is a net receivable of RM25,160,114 (2021: RM21,041,755) after setting-off the amount payable from MMIP against the Company's share of claims and premium liabilities amounting to RM17,548,201 (2021: RM23,825,733) included in Note 14 to the financial statements.

9. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

Financial assets

There is no netting off of the gross amount of recognised financial assets against the gross amount of financial liabilities in the statements of financial position.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2021: Nil).

10. RIGHT-OF-USE ASSETS

	Properties RM	Equipment RM	Total RM
Group/Company			
Cost			
1 January 2022	1,929,461	8,040,665	9,970,126
Additions	927,158	3,519,872	4,447,030
Change in consideration	-	3,756	3,756
Derecognition of expired leases	(921,966)	(4,629,452)	(5,551,418)
At 31 December 2022	1,934,653	6,934,841	8,869,494
Accumulated depreciation			
1 January 2022	1,117,930	5,484,865	6,602,795
Depreciation for the year	924,922	2,626,788	3,551,710
Derecognition of expired leases	(921,966)	(4,629,452)	(5,551,418)
At 31 December 2022	1,120,886	3,482,201	4,603,087
Net book value	813,767	3,452,640	4,266,407
Group/Company			
Cost			
1 January 2021	2,294,029	8,572,258	10,866,287
Additions	923,616	1,416,297	2,339,913
Change in consideration	3,585	(64,216)	(60,631)
Derecognition of expired leases	(1,291,769)	(1,883,674)	(3,175,443)
At 31 December 2021	1,929,461	8,040,665	9,970,126
Accumulated depreciation			
1 January 2021	1,449,076	4,753,042	6,202,118
Depreciation for the year	960,623	2,615,497	3,576,120
Derecognition of expired leases	(1,291,769)	(1,883,674)	(3,175,443)
At 31 December 2021	1,117,930	5,484,865	6,602,795
Net book value	811,531	2,555,800	3,367,331

10. RIGHT-OF-USE ASSETS (CONTINUED)

Group/Company

The leases typically run for a period of 1 to 3 years (2021: 1 to 3 years), but may have extension options. Total cash outflow for leases amounted to RM3,717,508 (2021: RM3,785,969).

11. LOANS

	2022 RM	2021 RM
Group/Company		
Staff loans:		
Secured	375,805	549,514
Unsecured	7,184	3,284
	382,989	552,798
Receivable after 12 months	300,264	436,847

The weighted average effective interest rate for staff loans as at 31 December 2022 was 3.32% (2021: 3.05%) per annum on the basis of monthly rest.

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2022 Unit	2021 Unit	2022 RM	2021 RM
Group/Company				
Issued and paid up:				
At beginning and end of financial year	219,875,038	219,875,038	219,875,038	219,875,038

13. RESERVES

The Company may distribute single-tier tax exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the Risk-Based Capital 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 dividends would impair its Capital Adequacy Ratio position to below its internal target.

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

14. INSURANCE CONTRACT LIABILITIES

	Note	2022			2021		
		Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Group/Company							
Provision for claims reported by policyholders		567,602,339	(367,273,623)	200,328,716	470,429,519	(307,819,836)	162,609,683
Provision for incurred but not reported ("IBNR")		195,546,938	(93,073,288)	102,473,650	187,896,033	(79,063,101)	108,832,932
		763,149,277	(460,346,911)	302,802,366	658,325,552	(386,882,937)	271,442,615
Less: impairment loss on reinsurance assets		-	97,643	97,643	-	165,966	165,966
Claim liabilities (i)		763,149,277	(460,249,268)	302,900,009	658,325,552	(386,716,971)	271,608,581
Premium liabilities (ii)		351,902,665	(157,975,425)	193,927,240	285,339,704	(133,959,981)	151,379,723
		1,115,051,942	(618,224,693)	496,827,249	943,665,256	(520,676,952)	422,988,304

(i) Claim liabilities

	Gross 2022 RM	Reinsurance 2022 RM	Net 2022 RM	Gross 2021 RM	Reinsurance 2021 RM	Net 2021 RM
At 1 January	658,325,552	(386,882,937)	271,442,615	651,094,483	(414,068,075)	237,026,408
Claims incurred in the current accident year	399,794,501	(157,322,321)	242,472,180	335,418,782	(148,178,674)	187,240,108
Claims incurred in prior accident years	36,244,870	(71,744,836)	(35,499,966)	(93,631,757)	69,744,476	(23,887,281)
Movement in PRAD of claim liabilities at 75% confidence level	613,852	2,121,309	2,735,161	(3,225,297)	9,752,519	6,527,222
Movement in claims handling expenses	2,112,197	-	2,112,197	(506,967)	-	(506,967)
Claims paid during the financial year	(333,941,695)	153,481,874	(180,459,821)	(230,823,692)	95,866,817	(134,956,875)
	763,149,277	(460,346,911)	302,802,366	658,325,552	(386,882,937)	271,442,615
Less: Impairment loss on reinsurance assets	-	97,643	97,643	-	165,966	165,966
At 31 December	763,149,277	(460,249,268)	302,900,009	658,325,552	(386,716,971)	271,608,581

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premium liabilities

	Note	2022			2021		
		Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
		RM	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January		285,339,704	(133,959,981)	151,379,723	257,199,207	(120,025,139)	137,174,068
Premiums written during the financial year	19	725,613,606	(346,727,595)	378,886,011	568,054,569	(271,133,254)	296,921,315
Premiums earned during the financial year	19	(659,050,645)	322,712,151	(336,338,494)	(539,914,072)	257,198,412	(282,715,660)
At 31 December		351,902,665	(157,975,425)	193,927,240	285,339,704	(133,959,981)	151,379,723

15. DEFERRED TAX ASSET

	2022	2021
	RM	**RM**
Group/Company		
At 1 January	10,287,608	2,510,844
Recognised in statements of comprehensive income	(3,147,873)	7,776,764
At 31 December	7,139,735	10,287,608

15. DEFERRED TAX ASSET (CONTINUED)

	Fair value changes on investments	Premium liabilities	Receivables	Others	Total
	RM	RM	RM	RM	RM
2022					
Deferred tax asset					
At 1 January 2022	7,356,674	509,268	1,898,063	2,231,063	11,995,068
Recognised in statements of comprehensive income	(1,979,456)	(240,301)	20,916	(850,761)	(3,049,602)
At 31 December 2022 (before offsetting)	5,377,218	268,967	1,918,979	1,380,302	8,945,466
Offsetting					(1,805,731)
Net deferred tax assets (after offsetting)					7,139,735

	Fair value changes on investments	Property, equipment and intangible assets	Total
	RM	RM	RM
2022			
Deferred tax liabilities			
At 1 January 2022	-	1,707,460	1,707,460
Recognised in statements of comprehensive income	-	98,271	98,271
At 31 December 2022 (before offsetting)	-	1,805,731	1,805,731
Offsetting			(1,805,731)
Net deferred tax liabilities (after offsetting)			-

15. DEFERRED TAX ASSET (CONTINUED)

	Fair value changes on investments	Premium liabilities	Receivables	Others	Total
	RM	RM	RM	RM	RM
2021					
Deferred tax asset					
At 1 January 2021	-	365,751	1,583,974	1,606,708	3,556,433
Recognised in statements of comprehensive income	7,366,279	143,517	314,089	624,355	8,448,240
Reclassification from deferred tax liability	(9,605)	-	-	-	(9,605)
At 31 December 2021 (before offsetting)	7,356,674	509,268	1,898,063	2,231,063	11,995,068
Offsetting					(1,707,460)
Net deferred tax assets (after offsetting)					10,287,608

	Fair value changes on investments	Property, equipment and ntangible assets	Total
	RM	RM	RM
2021			
Deferred tax liabilities			
At 1 January 2021	9,605	1,035,984	1,045,589
Recognised in statements of comprehensive income	-	671,476	671,476
Reclassification to deferred tax asset	(9,605)	-	(9,605)
At 31 December 2021 (before offsetting)	-	1,707,460	1,707,460
Offsetting			(1,707,460)
Net deferred tax assets (after offsetting)			-

15. DEFERRED TAX ASSET (CONTINUED)

	2022 RM	2021 RM
Current	8,945,466	11,995,068
Non-current	(1,805,731)	(1,707,460)

16. INSURANCE AND OTHER PAYABLES

	2022		2021	
	Group RM	Company RM	Group RM	Company RM
Trade payables:				
Amount due to reinsurers/ ceding companies	84,483,697	84,483,697	63,873,484	63,873,484
Amount due to brokers, co-insurers and insureds	29,781,768	29,781,768	13,553,745	13,553,745
	114,265,465	114,265,465	77,427,229	77,427,229
Other payables:				
Accrual for agents' profit commission	3,334,667	3,334,667	3,565,441	3,565,441
Accrual for bonus (including EPF for bonus)	4,201,222	4,201,222	7,000,000	7,000,000
Cash collateral held for bond business	663,681	663,681	1,215,546	1,215,546
Premium funds withheld	2,820,800	2,820,800	3,035,253	3,035,253
Other payables and accrued liabilities	21,799,574	21,343,050	17,173,373	16,685,038
	32,819,944	32,363,420	31,989,613	31,501,278
Total insurance and other payables	147,085,409	146,628,885	109,416,842	108,928,507
Payable within 12 months	147,085,409	146,628,885	108,812,537	108,324,202
Payable after 12 months	-	-	604,305	604,305

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

Financial liabilities

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statements of financial position.

There are no financial liabilities that are subject to enforceable master netting arrangements or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2021: Nil).

17. SUBORDINATED LOANS

	2022 RM	2021 RM
Group/Company		
Subordinated Loans	24,337,504	24,337,504
Add: Accrued interest	11,561,302	11,561,302
Payable after 12 months	35,898,806	35,898,806

On 16 March 2015, the Group and the Company obtained subordinated loans amounting to RM22,800,000 and a further RM1,537,504 on 19 June 2015. The subordinated loans of RM24,337,504 carries a fixed interest rate of 7% per annum and matures on 15 March 2030. The payment including principal and interest expenses is due on maturity date.

The fair value of the subordinated loans as at 31 December 2022 amounted to RM24,337,504 (2021: RM24,337,504). The fair value is estimated based on discounted cash flow model for the remaining term of maturity and is within level 2 of the fair value hierarchy.

18. LEASE LIABILITY

	2022 RM	2021 RM
Group/Company		
Current lease liabilities	1,598,440	3,059,548
Non-current lease liabilities	2,701,983	408,234
	4,300,423	3,467,782

19. NET EARNED PREMIUMS

	2022 RM	2021 RM
Group/Company		
(a) Gross premiums written	725,613,606	568,054,569
Change in premium liabilities	(66,562,961)	(28,140,497)
Gross earned premiums	659,050,645	539,914,072
(b) Premium ceded to reinsurers		
Ceded premiums (Note 14(ii))	(346,727,595)	(271,133,254)
Change in premium liabilities	24,015,444	13,934,842
Earned premiums ceded to reinsurers	(322,712,151)	(257,198,412)
Net earned premiums	336,338,494	282,715,660

20. INVESTMENT INCOME

	2022		2021	
	Group	Company	Group	Company
	RM	RM	RM	RM
Rental income from operating lease:				
Investment properties	1,223,326	1,223,326	1,117,857	1,117,857
Financial assets at FVTPL				
Interest income - equity securities	157,250	-	157,250	-
Interest income - debt securities	10,105,292	-	11,890,244	-
Dividend income - REITs	50,052	50,052	84,390	84,390
Dividend income – unit trusts	35,673	1,900,018	2,897,025	12,577,896
Dividend income – equity securities	1,965,931	1,965,931	1,761,632	1,761,632
Interest income from AC	4,018,156	4,018,156	990,210	990,210
Profit and interest income from cash & cash equivalents	6,365,910	5,832,592	2,675,099	2,342,158
Amortisation of premiums, net of accretion of discounts	(1,216,354)	-	(1,567,093)	-
	22,705,236	14,990,075	20,006,614	18,874,143

21. REALISED (LOSSES)/GAINS

	2022		2021	
	Group	Company	Group	Company
	RM	RM	RM	RM
Financial assets at FVTPL				
Realised (losses)/gains:				
Equity securities	2,626,996	2,626,996	-	-
Corporate bonds	(4,261,416)	-	1,207,545	-
Malaysian Government Securities	(5,497,343)	-	(3,354,875)	-
Government Investment Issues	(7,309,609)	-	1,303,978	-
Unit trusts	(657,038)	(3,711,110)	214,321	214,321
REITS	194,085	194,085	-	-
	(14,904,325)	(890,029)	(629,031)	214,321
Property, equipment and intangible assets				
Realised gains	79	79	4,220	4,220
Realised losses	(6,339)	(6,339)	(186,420)	(186,420)
	(6,260)	(6,260)	(182,200)	(182,200)
	(14,910,585)	(896,289)	(811,231)	32,121

22. FAIR VALUE GAINS/(LOSSES)

	2022 RM	2021 RM
Group		
Financial assets at FVTPL	6,275,405	(29,004,608)
Company		
Financial assets at FVTPL	(638,799)	(29,762,748)

23. FEES AND COMMISSION INCOME

	2022 RM	2021 RM
Group/Company		
Reinsurance commission income	49,704,903	50,262,357

24. MANAGEMENT EXPENSES

	Note	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
Employee benefits expenses	24(a)	55,476,614	55,476,614	52,406,741	52,406,741
Directors' remuneration	24(b)	475,683	475,683	440,054	440,054
Auditors' remuneration					
- Statutory audit		400,307	389,300	389,125	372,900
- Audit related services		1,050	1,050	276,000	276,000
Depreciation of property and equipment	3	2,008,545	2,008,545	2,176,733	2,176,733
Depreciation of investment properties	4	371,215	371,215	371,214	371,214
Depreciation of ROU assets	10	3,551,710	3,551,710	3,576,120	3,576,120
Direct operating expenses of investment properties		216,905	216,905	211,675	211,675
Amortisation of intangible assets	5	961,690	961,690	991,084	991,084

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

24. MANAGEMENT EXPENSES (CONTINUED)

	Note	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
Bad debts (recovery)/written-off		69,911	69,911	(292,235)	(292,235)
Allowance/ (Write-back) for impairment losses					
- insurance receivables and reinsurance recoverables		87,148	87,148	1,313,684	1,313,684
- reinsurance assets		(68,323)	(68,323)	(68,323)	(68,323)
Safeguard and carpark rental		140,962	140,962	86,251	86,251
Office equipment rental		69,244	69,244	69,390	69,390
Computer maintenance		4,162,841	4,162,841	3,910,090	3,910,090
Entertainment		929,800	929,800	422,218	422,218
Investment advisory fees		2,356,046	2,356,046	2,149,381	2,149,381
Fund managers' fees		-	-	59	59
Professional fees		2,138,349	2,138,349	1,466,065	1,466,065
Networking charges		-	-	7,249	7,249
Management fees to holding company		3,251,154	3,251,154	3,015,306	3,015,306
Stamp duties		25,148	25,148	96,370	96,370
Credit card and bank charges		3,321,931	3,321,931	3,005,953	3,005,953
Training costs		110,786	110,786	92,260	92,260
Advertising and Marketing expenses		697,874	697,874	1,748,822	1,748,822
Third Party Administrator fees		786,614	786,614	643,388	643,388
Policy printing fees		2,755,870	2,755,870	2,277,851	2,277,851
Transport and travelling		697,913	697,913	306,236	306,236
Printing and stationery		224,921	224,921	211,316	211,316
E-JPJ cover note charges		4,249,360	4,249,360	625,342	625,342
Road assistance programme		2,760,000	2,760,000	2,391,419	2,391,419
Other expenses		5,794,955	5,192,487	5,874,885	4,828,028
		98,026,223	97,412,748	90,191,723	89,128,641

(a) Employee benefits expenses

	2022 Group RM	2022 Company RM	2021 Group RM	2021 Company RM
Wages and salaries	44,749,372	44,749,372	42,837,556	42,837,556
Social security contributions	743,461	743,461	356,558	356,558
Contributions to defined contribution plan, EPF	6,368,202	6,368,202	6,099,951	6,099,951
Employee share ownership plan ("ESOP")	255,962	255,962	305,743	305,743

24. MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expenses (continued)

	2022		2021	
	Group	Company	Group	Company
	RM	RM	RM	RM
Staff insurance	1,782,790	1,782,790	1,580,493	1,580,493
Other benefits	1,576,827	1,576,827	1,226,440	1,226,440
	55,476,614	55,476,614	52,406,741	52,406,741

(b) Directors' remuneration

The details of remuneration received and receivable by Directors of the Company during the financial year are as follows:

	2022	2021
	RM	RM
Group/Company		
Total Directors' remuneration		
Dato' Khalid bin Abdol Rahman	145,400	124,421
Dr. Arumugam a/l Saminathan	45,283	74,600
Ajit Nair	132,000	100,700
Dato' Chan Choy Lin	153,000	132,200
Datuk Abu Hassan bin Kendut	-	8,133
	475,683	440,054

25. TAXATION

	2022	2021
	RM	RM
Group/Company		
Income tax:		
Malaysian income tax	-	3,119,280
Over provision of income tax in respect of prior year	(120,502)	(798,478)
	(120,502)	2,320,802
Deferred tax relating to origination and reversal of temporary differences (Note 15)	3,147,873	(7,776,764)
Tax expense/(income) for the financial year	3,027,371	(5,455,962)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% on the estimated assessable profit for the financial year.

25. TAXATION (CONTINUED)

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

	2022 RM	2021 RM
Group		
Profit/(Loss) before taxation	12,514,942	(7,727,733)
Taxation at Malaysian statutory income tax rate of 24%	3,003,586	(1,854,656)
Expenses not deductible for tax purposes	1,432,062	1,462,629
Income not subject to tax	(1,579,456)	(4,564,234)
Over provision of income tax in prior year	(120,502)	(798,478)
Temporary differences recognised in prior year	291,681	298,777
Tax expense/(income) for the financial year	3,027,371	(5,455,962)
Company		
Profit/(Loss) before taxation	12,513,348	(7,711,910)
Taxation at Malaysian statutory income tax rate of 24%	3,003,204	(1,850,858)
Expenses not deductible for tax purposes	1,432,444	1,458,831
Income not subject to tax	(1,579,456)	(4,564,234)
Over provision of income tax in prior year	(120,502)	(798,478)
Temporary differences recognised in prior year	291,681	298,777
Tax expense/(income) for the financial year	3,027,371	(5,455,962)

26. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the profit after taxation for the financial year over the number of shares in issue during the financial year of 219,875,038 (2021: 219,875,038).

	2022	2021
Group		
Profit(Loss) attributable to shareholders (RM)	9,483,475	(2,262,181)
Weighted average number of shares in issue	219,875,038	219,875,038
Basic earnings per ordinary share (sen)	4.3	(1.0)
Company		
Profit/(Loss) attributable to shareholders (RM)	9,485,977	(2,255,948)
Weighted average number of shares in issue	219,875,038	219,875,038
Basic earnings per ordinary share (sen)	4.3	(1.0)

27. DIVIDENDS

Dividend on ordinary shares paid by the Company:

	2022 RM	2021 RM
Recognised during the financial year:		
Interim single tier dividend of RM0.1137009468 per ordinary share on 219,875,038 ordinary shares declared on 23 December 2021 and paid on 27 December 2021.	-	25,000,000

No dividends were paid or declare since the date of the last report.

The Directors do not propose the payment of any dividend for the financial year ended 31 December 2022.

28. CAPITAL COMMITMENTS

	2022 RM	2021 RM
Group/Company		
Approved and contracted for:		
Computers	115,900	15,918
Furniture and fittings	2,600	2,640
	118,500	18,558

29. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) The Company is a subsidiary of Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77. The ultimate holding company is Fairfax Financial Holdings Limited ("FFHL"), a company incorporated in Canada.

(b) In addition to related party disclosures detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with their related parties:

Significant transactions	2022 RM	2021 RM
Group/Company		
Corporate shareholder:		
- Koperasi MCIS Berhad		
Expense		
Rental of premise	246,460	269,106
Parking	2,160	6,383
Tenancy agreement legal fee	-	3,402

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) In addition to related party disclosures detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with their related parties (continued):

Significant transactions	2022 RM	2021 RM
Group/Company (continued)		
Fellow subsidiaries within FFHL Group:		
Income		
Claim recovery		
- Wentworth Insurance Company Limited (Labuan)	11,919,016	4,482,043
- Allied World Assurance Company, Ltd. (Labuan)	136,025	506,631
- CRC Reinsurance Limited (Barbados)	55,757	69,561
- Singapore Reinsurance Corporation Limited	68,741,980	66,657,473
	80,852,779	71,715,709
Commission Income		
- CRC Reinsurance Limited (Barbados)	(954)	716
- Wentworth Insurance Company Limited (Labuan)	3,298,855	1,181,517
- Allied World Assurance Company, Ltd. (Labuan)	98,809	766,161
- Newline Malaysia Limited	136,821	220,877
- Newline Asia Services Pte. Ltd.	855	-
- Singapore Reinsurance Corporation Limited	20,929,942	18,876,598
	24,464,329	21,045,869
Expense		
Reinsurance premium ceded		
- CRC Reinsurance Limited (Barbados)	(3,272)	46,303
- Wentworth Insurance Company Limited (Labuan)	13,270,204	16,012,270
- Allied World Assurance Company, Ltd. (Labuan)	4,748,691	4,237,937
- Newline Malaysia Limited	1,804,119	1,220,127
- Newline Asia Services Pte. Ltd.	17,000	-
- Singapore Reinsurance Corporation Limited	155,354,624	119,515,676
	175,191,366	141,032,314
Interest expense on premium withheld		
- Wentworth Insurance Company Limited (Labuan)	55,315	41,894
Investment management fees		
- Hamblin Watsa Investment Counsel Ltd.	2,356,046	2,149,381
Management fees		
- Fairfax Asia Limited	3,251,154	3,015,306
Finance cost		
- Fairfax Asia Limited	1,703,625	1,703,625
Information Technology maintenance service		
- FFH Management Services Ltd.	467,200	491,875

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) In addition to related party disclosures detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with their related parties (continued):

Significant transactions	2022 RM	2021 RM
Group/Company (continued)		
Fellow subsidiaries within FFHL Group (continued):		
Expense (continued)		
Professional service - MFRS 17		
- Fairfax Financial Holdings Limited	598,832	389,177
Subscription fee		
- Falcon Insurance Company (Hong Kong) Limited	14,779	13,478
Associate company within FFHL Group:		
Expense		
Consultancy fee		
- QuessGlobal (Malaysia) Sdn. Bhd.	172,361	357,049
Reimbursement claims		
- QuessGlobal (Malaysia) Sdn. Bhd.	929	-
Payables/(Receivables)		
Other balances due to/(due from)		
- CRC Reinsurance Limited (Barbados)	34,937	64,849
- Wentworth Insurance Company Limited (Labuan)	(1,663,491)	2,564,115
- Fairfax Asia Limited	38,797,196	38,855,588
- Hamblin Watsa Investment Counsel Ltd.	-	-
- Allied World Assurance Company, Ltd. (Labuan)	(263,895)	276,021
- PT Asuransi Multi Artha Guna TBK	-	(23,392)
- Newline Malaysia Limited	720,941	183,573
- Newline Asia Services Pte. Ltd.	(13,235)	(26,366)
- Fairfax Financial Holdings Limited	156,450	315,253
- Koperasi MCIS Berhad	(93,072)	(93,072)
- Singapore Reinsurance Corporation Limited	17,566,149	7,186,028
- QuessGlobal (Malaysia) Sdn. Bhd.	9,645	36,096
	55,251,625	49,338,693
Equity Reserves		
- Fairfax Asia Limited	(1,703,625)	-

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

The remuneration of CEO and other members of key management during the financial year was as follows:

	2022 RM	2021 RM
Short-term employee benefits	4,958,231	4,396,125
Defined contribution plan	370,972	265,647
	5,329,203	4,661,772

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly. The key management personnel of the Group and the Company includes the Chief Executive Officer, Senior Executive Vice President and other personnel with corporate ranking General Manager and above.

The details of remuneration received and receivable by the CEO during the financial year are as follows:

	2022 RM	2021 RM
Group/Company		
Salary and other emoluments	678,012	639,636
Bonus	159,909	106,606
Contribution to defined contribution plan	643	593
Estimated money value of benefits-in-kind	346,739	340,172
	1,185,303	1,087,007

30. RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The Group and Company's Risk Management Framework ("RMF") sets out a framework of principles on risk management to guide the Board and senior management in performing their risk oversight function, and sets forth the principles and guidelines of the Group and Company's risk management strategy.

The RMF is designed to:

- Provide the Board and senior management reasonable assurance that the Group and Company's business objectives will be achieved by aligning risk appetite and strategy, proactively responding to risks, reducing operational surprises and losses, and identifying and managing cross-enterprise risks.
- Improve deployment of capital.
- Enhance corporate governance and successfully respond to a changing business environment.

30. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk management framework (continued)

The RMF is designed to (continued):

- Assist management in implementing a sound and risk-based internal control system and provide the risk reporting tools to be used to identify significant control lapses/ weaknesses and monitor corrective action.
- Guide staff in understanding the risk assessment methodology and strengthen their risk awareness and capability to identify, manage and control business risks.

The RMF has the following core components:

1. A governance structure that sets the oversights and the roles and responsibilities of risk management;
2. A risk appetite statement which sets out the type and amount of risk the Group and the Company are able and willing to accept;
3. A series of policies and guidelines to support the implementation of the RMF;
4. A risk taxonomy that are aligned with the risk categories in the BNM Internal Capital Adequacy Assesment Process (ICAAP);
5. A risk management system that is used to identify, measure, mitigate, monitor and report the risks in accordance with the risk appetite statement; and
6. A risk culture which encourages all employees to engage actively in risk management.

(b) Regulatory framework

Insurers have to comply with the Financial Services Act, 2013 and circulars and guidelines issued by BNM, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the policyholders and shareholders.

(c) Capital management

The Group and Company's capital management policy is to deliver sustainable returns to shareholders, maintain a strong capital position with optimum buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth. The RBC Framework and Guidelines on ICAAP for the insurance industry came into effect on 1 January 2009 and 1 September 2012 respectively. Under these requirements, the Company has to maintain a capital adequacy ratio (CAR) that commensurate with its risk profile. The minimum Statutory Target Capital Level requirement under the Risk-Based Capital Framework for insurers is 130%. Throughout the financial year, the Company maintained a CAR higher than the minimum requirement set by the Authority.

(d) Anti-Money Laundering Anti-Terrorism Financing and Proceeds of Unlawful Activities (AMLATFPUA)

Following the Anti-Money Laundering Anti-Terrorism Financing and Proceeds of Unlawful Activities (AMLATFPUA) (Amendment of First Schedule) Order 2014, whereby general insurers are no longer defined as Reporting Institutions under the AMLATFPUA Act 2001 with effect from 5 November 2014, and the BNM Policy Document on AML, CFT and TFS for FIs reissued by BNM on 1 September 2020, the scope of AML/CFT risk monitoring under the AMLAFTPUA Act 2001 for general insurers had been significantly scaled down. Based on the development, the Company has in place a CFT and TFS Policy (Version 9.0) and a SOP on Ultimate Beneficial Owner Identification and Verification (Version 1.1) in accordance with the relevant BNM policy document and the AMLATFPUA Act 2001 to mitigate the risk of the Company from being used as a channel for financing of terrorism. Towards this end, the Company is leveraging on IT program to facilitate the screening of the Company's customers name against the database of specified individuals and entities published in the relevant United Nations Security Council Resolutions (UNSCRs) and Ministry of Home Affairs Orders.

31. INSURANCE RISK

In designing and pricing the general insurance products, the Company makes several assumptions about the expected number of claims, the average cost of claim, and the average premium that will be received (together these risks are defined as premium risk). The Company also assesses each year, the expected level of claims that must be reserved based on events which have already occurred but where claims are yet to be reported or claim settlement remains outstanding (reserve risk). In setting the assumptions, the Company has also taken into consideration the impact and development trend of large insurance claims (large loss risk); as well as the potential exposure to claims arising from natural catastrophe events (natural catastrophe risk). In all the above instances the risk to the Company arises from the fact that the actual outcome will be different from our assumptions.

Hence, the key risk here is the variability of the claim events which may differ from the assumptions made during the acceptance of the business and also during the assessment of the expected level of claims after an event occurs.

The variability of the claim events can be reduced through writing a more diversified portfolio of insurance contracts and also through the use of proper reinsurance arrangements. In addition, selection of risks, appropriate implementation of underwriting strategy and guidelines, good claims management and adequate control systems aid to ensure a robust insurance risk management.

The objective of the Company is to control and manage insurance risk to reduce volatility of operating profits has been achieved and has done it through the following:

- The Company’s underwriting approach is governed by an underwriting policy and guidelines which sets out a control framework for risk acceptance and referrals, underwriting capacity and authority limits granted to the various operations.
- The Company’s claims philosophy which provides the framework for claims management, regular claims review and claims handling procedures with the objective to minimise the uncertainty of claims development and inflationary costs as well as to mitigate dubious or fraudulent claims whilst ensuring fair claims settlement.
- Reinsurance is used to limit the Company’s exposure to large claims and catastrophes by placing risk with reinsurers providing high security.

The key assumptions made when setting the premiums and valuation of technical provisions are that the Company’s future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of the possibility and magnitude of future claims development and also the expenses involved in handling claims. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example isolated occurrence of large or catastrophic (eg floods) claims as well as internal factors such as change in portfolio mix, policy conditions and claims handling procedures. The Group and the Company have also taken into account the COVID-19 impact when setting the assumptions.

The risk inherent in general insurance contracts is reflected in the technical provisions which include the premium and claim liabilities, as set out under Note 14 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and IBNR. This is currently done at the 75% sufficiency level, according to the requirement set by Bank Negara under the RBC Framework.

Estimates of an insurance company’s premium and claim liabilities are affected by future events, which can be unpredictable. Hence, the assumptions made may well vary from actual experience. In order for the management to understand the impact of these assumption difference, a Stress Testing exercise is performed annually to test the solvency of the company under various scenarios, simulating changes in major parameters such as new business volume, claims experience, expenses and investment environment, according to regulatory guidelines. This will help inform the management of the key areas with significant impact to the business and to manage the Company more effectively.

31. INSURANCE RISK (CONTINUED)

			2022			2021
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Group/Company						
Claim liabilities						
Motor	311,233,066	(93,659,254)	217,573,812	310,245,285	(118,583,713)	191,661,572
Fire	126,872,177	(110,875,858)	15,996,319	108,767,649	(96,404,065)	12,363,584
Marine, Aviation and Transit	118,630,260	(100,476,775)	18,153,485	83,509,299	(70,930,494)	12,578,805
Medical and Health	12,435,630	(142,426)	12,293,204	13,911,092	(233,279)	13,677,813
Miscellaneous	193,978,144	(155,192,598)	38,785,546	141,892,227	(100,731,386)	41,160,841
	763,149,277	(460,346,911)	302,802,366	658,325,552	(386,882,937)	271,442,615
Premium liabilities						
Motor	155,044,262	(28,764,402)	126,279,860	94,807,731	(11,780,575)	83,027,156
Fire	39,141,840	(29,476,204)	9,665,636	62,204,269	(50,387,907)	11,816,362
Marine, Aviation and Transit	20,961,646	(17,458,787)	3,502,859	26,709,721	(22,628,817)	4,080,904
Medical and Health	28,512,191	(5,274,502)	23,237,689	25,273,935	(1,702,412)	23,571,523
Miscellaneous	108,242,726	(77,001,530)	31,241,196	76,344,048	(47,460,270)	28,883,778
	351,902,665	(157,975,425)	193,927,240	285,339,704	(133,959,981)	151,379,723

Key assumptions

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

Additional qualitative judgments 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. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

31. INSURANCE RISK (CONTINUED)

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

Sensitivities

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

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, these assumptions are illustrated on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on gross liabilities RM	Impact on net liabilities RM	Impact on profit before tax RM	Impact on equity RM
Group/Company					
2022					
Provision for Risk Margin for Adverse Deviation ("PRAD")	+5%	2,229,219	1,046,217	(1,046,217)	(795,125)
Loss ratio	+5%	141,515,102	67,504,900	(67,504,900)	(51,303,724)
Claim handling expenses	+5%	647,123	647,123	(647,123)	(491,813)
2021					
PRAD	+5%	2,152,718	863,651	(863,651)	(656,375)
Loss ratio	+5%	128,003,215	62,796,410	(62,796,410)	(47,725,271)
Claim handling expenses	+5%	535,785	535,785	(535,785)	(407,196)

31. INSURANCE RISK (CONTINUED)

Sensitivities (continued)

The following analysis is performed for reasonably possible movements in the key assumption used in determining sliding scale commission, showing the impact on Profit before Tax and Equity.

	Change in assumptions	Impact on gross/net liabilities RM	Impact on profit before tax RM	Impact on equity RM
Group/Company				
2022				
Sliding scale commission rate	+0.5%	(2,816,817)	2,816,817	2,140,781
Sliding scale commission rate	-0.5%	1,109,694	(1,109,694)	(843,368)
2021				
Sliding scale commission rate	+0.5%	(2,816,809)	2,816,809	2,140,775
Sliding scale commission rate	-0.5%	1,109,685	(1,109,685)	(843,361)

31. INSURANCE RISK (CONTINUED)

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.

In setting provisions for claims, the Group and the Company give consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Three separate tables have been shown to account for claim developments for Pacific Insurance Berhad (PIB) ongoing business, MCIS Insurance Berhad run-off (ex-MCIS) business, Prudential Assurance Berhad run-off (ex-PAMB) respectively with the reasons of :

- Ex-MCIS table consists of cohort of claims from existing risks of MCIS up to the point of acquisition 28 February 2016. Therefore, this is a run-off claim development and the liabilities are expected to decrease in size overtime.

- Ex-PAMB table consists of cohort of claims from existing risks of PAMB up to the point of acquisition 30 August 2017. Therefore, this is a run-off claim development and the liabilities are expected to decrease in size overtime.

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2022 (PIB):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Group/Company							
At end of accident year		335,408,814	412,875,380	435,946,140	356,139,876	332,133,295	398,338,626
One year later		319,931,530	398,191,832	387,058,133	268,273,060	362,540,789	
Two years later		311,531,610	394,789,947	388,549,075	271,095,925		
Three years later		308,849,426	403,288,743	399,728,409			
Four years later		311,501,269	411,454,099				
Five years later		312,745,189					
Current estimate of cumulative claims incurred		312,745,189	411,454,099	399,728,409	271,095,925	362,540,789	398,338,626
At end of accident year		(93,494,069)	(105,157,920)	(111,114,310)	(86,780,437)	(70,667,864)	(97,374,246)
One year later		(195,921,333)	(228,260,824)	(247,877,304)	(150,405,299)	(179,245,638)	
Two years later		(238,771,795)	(318,588,863)	(294,686,007)	(203,570,044)		
Three years later		(280,660,975)	(351,254,541)	(327,193,063)			
Four years later		(288,884,060)	(375,635,614)				
Five years later		(300,365,849)					
Cumulative payments to-date		(300,365,849)	(375,635,614)	(327,193,063)	(203,570,044)	(179,245,638)	(97,374,246)

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2022 (PIB) (continued):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM	Total RM
Group/Company								
Gross general insurance outstanding liabilities (direct and facultative)	14,045,957	12,379,340	35,818,485	72,535,346	67,525,881	183,295,151	300,964,380	686,564,540
Gross general insurance outstanding liabilities (treaty inward)								14,380,319
Best estimate of claim liabilities								700,944,859
Claims handling expenses								12,266,915
PRAD at 75% confidence Level								46,807,045
Gross general insurance contract liabilities per statements of financial position								760,018,819

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2022 (MCIS general insurance business run-off):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Group/Company							
At end of accident year		-	-	-	-	-	-
One year later		-	-	-	-	-	
Two years later		-	-	-	-		
Three years later		-	-	-			
Four years later		-	-				
Five years later		-					
Current estimate of cumulative claims incurred		-	-	-	-	-	-
At end of accident year		-	-	-	-	-	-
One year later		-	-	-	-	-	
Two years later		-	-	-	-		
Three years later		-	-	-			
Four years later		-	-				
Five years later		-					
Cumulative payments to-date		-	-	-	-	-	-

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2022 (MCIS general insurance business run-off) (continued):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM	Total RM
Group/Company								
Gross general insurance outstanding liabilities (direct and facultative)	2,621,849	-	-	-	-	-	-	2,621,849
Gross general insurance outstanding liabilities (treaty inward)								-
Best estimate of claim liabilities								2,621,850
Claims handling expenses								38,017
PRAD at 75% confidence Level								333,337
Gross general insurance contract liabilities per statements of financial position								2,993,204

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2022 (Prudential general insurance business run-off):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Group/Company							
At end of accident year		5,748,141	1,157,937	-	-	-	-
One year later		6,155,823	764,665	-	-	-	
Two years later		5,202,769	718,763	-	-		
Three years later		5,397,165	718,763	-			
Four years later		5,373,536	718,763				
Five years later		5,376,506					
Current estimate of cumulative claims incurred		5,376,506	718,763	-	-	-	-
At end of accident year		(3,450,422)	(483,694)	-	-	-	-
One year later		(4,435,109)	(594,358)	-	-	-	
Two years later		(5,079,972)	(675,838)	-	-		
Three years later		(5,085,222)	(675,838)	-			
Four years later		(5,311,915)	(675,838)				
Five years later		(5,314,885)					
Cumulative payments to-date		(5,314,885)	(675,838)	-	-	-	-

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2022 (Prudential general insurance business run-off) (continued):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM	Total RM
Group/Company								
Gross general insurance outstanding liabilities (direct and facultative)	12,600	61,621	42,925	-	-	-	-	117,146
Gross general insurance outstanding liabilities (treaty inward)								-
Best estimate of claim liabilities								117,146
Claims handling expenses								1,699
PRAD at 75% confidence Level								18,409
Gross general insurance contract liabilities per statements of financial position								137,254

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2022 (PIB):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Group/Company							
At end of accident year		163,233,359	194,471,543	172,774,434	153,062,052	183,954,615	241,016,301
One year later		157,952,520	178,523,366	166,591,291	136,504,358	161,484,101	
Two years later		156,115,914	177,278,386	166,033,362	135,151,093		
Three years later		156,264,867	181,696,404	165,442,768			
Four years later		156,813,420	182,263,261				
Five years later		155,337,576					
Current estimate of cumulative claims incurred		155,337,576	182,263,261	165,442,768	135,151,093	161,484,101	241,016,301
At end of accident year		(60,684,046)	(68,271,450)	(71,167,728)	(59,422,634)	(61,552,928)	(85,498,430)
One year later		(111,036,463)	(122,478,865)	(132,596,559)	(93,345,413)	(109,753,010)	
Two years later		(130,070,933)	(150,424,288)	(151,866,647)	(112,933,843)		
Three years later		(143,911,298)	(161,312,491)	(160,811,392)			
Four years later		(147,732,467)	(170,958,906)				
Five years later		(151,606,688)					
Cumulative payments to-date		(151,606,688)	(170,958,906)	(160,811,392)	(112,933,843)	(109,753,010)	(85,498,430)

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2022 (PIB) (continued):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM	Total RM
Group/Company								
Net general insurance outstanding liabilities (direct and facultative)	1,983,496	3,730,888	11,304,355	4,631,376	22,217,251	51,731,091	155,517,871	251,116,328
Net general insurance outstanding liabilities (treaty inward)								14,380,319
Best estimate of claim liabilities								265,496,647
Claims handling expenses								12,266,915
PRAD at 75% confidence Level								23,317,308
Net general insurance contract liabilities per statements of financial position								301,080,870

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2022 (MCIS general insurance business run-off):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Group/Company							
At end of accident year		-	-	-	-	-	-
One year later		-	-	-	-	-	
Two years later		-	-	-	-		
Three years later		-	-	-			
Four years later		-	-				
Five years later		-					
Current estimate of cumulative claims incurred		-	-	-	-	-	-
At end of accident year		-	-	-	-	-	-
One year later		-	-	-	-	-	
Two years later		-	-	-	-		
Three years later		-	-	-			
Four years later		-	-				
Five years later		-					
Cumulative payments to-date		-	-	-	-	-	-

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2022 (MCIS general insurance business run-off) (continued):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM	Total RM
Group/Company								
Net general insurance outstanding liabilities (direct and facultative)	1,386,114	-	-	-	-	-	-	1,386,114
Net general insurance outstanding liabilities (treaty inward)								-
Best estimate of claim liabilities								1,386,115
Claims handling expenses								38,017
PRAD at 75% confidence Level								163,495
Net general insurance contract liabilities per statements of financial position								1,587,627

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2022 (Prudential general insurance business run-off):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Group/Company							
At end of accident year		5,292,896	1,122,934	-	-	-	-
One year later		5,394,646	739,426	-	-	-	
Two years later		4,510,864	694,671	-	-		
Three years later		4,637,851	694,671	-			
Four years later		4,640,362	694,671				
Five years later		4,643,258					
Current estimate of cumulative claims incurred		4,643,258	694,671	-	-	-	-
At end of accident year		(3,124,049)	(466,517)	-	-	-	-
One year later		(4,079,538)	(573,376)	-	-	-	
Two years later		(4,391,137)	(652,819)	-	-		
Three years later		(4,396,256)	(652,819)				
Four years later		(4,580,281)	(652,819)				
Five years later		(4,583,177)					
Cumulative payments to-date		(4,583,177)	(652,819)	-	-	-	-

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2022 (Prudential general insurance business run-off) (continued):

Accident year	Prior to 2017 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM	Total RM
Group/Company								
Net general insurance outstanding liabilities (direct and facultative)	12,285	60,081	41,852	-	-	-	-	114,218
Net general insurance outstanding liabilities (treaty inward)								-
Best estimate of claim liabilities								114,218
Claims handling expenses								1,699
PRAD at 75% confidence Level								17,952
Net general insurance contract liabilities per statements of financial position								133,869

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2021 (PIB):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Group/Company							
At end of accident year		317,146,705	335,408,814	412,875,380	435,946,140	356,139,876	332,133,295
One year later		295,572,540	319,931,530	398,191,832	387,058,133	268,273,060	
Two years later		274,896,467	311,531,610	394,789,947	388,549,075		
Three years later		274,210,516	308,849,426	403,288,743			
Four years later		265,418,887	311,501,269				
Five years later		266,117,037					
Current estimate of cumulative claims incurred		266,117,037	311,501,269	403,288,743	388,549,075	268,273,060	332,133,295
At end of accident year		(84,733,806)	(93,494,069)	(105,157,920)	(111,114,310)	(86,780,437)	(70,667,864)
One year later		(178,156,018)	(195,921,333)	(228,260,824)	(247,877,304)	(150,405,299)	
Two years later		(214,883,707)	(238,771,795)	(318,588,863)	(294,686,007)		
Three years later		(232,806,522)	(280,660,975)	(351,254,541)			
Four years later		(239,438,343)	(288,884,060)				
Five years later		(243,565,181)					
Cumulative payments to-date		(243,565,181)	(288,884,060)	(351,254,541)	(294,686,007)	(150,405,299)	(70,667,864)

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2021 (PIB) (continued):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
Group/Company								
Gross general insurance outstanding liabilities (direct and facultative)	5,880,323	22,551,856	22,617,209	52,034,202	93,863,068	117,867,761	261,465,431	576,279,850
Gross general insurance outstanding liabilities (treaty inward)								19,464,353
Best estimate of claim liabilities								595,744,203
Claims handling expenses								10,112,594
PRAD at 75% confidence Level								46,011,939
Gross general insurance contract liabilities per statements of financial position								651,868,736

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2021 (MCIS general insurance business run-off):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Group/Company							
At end of accident year		167,828	-	-	-	-	-
One year later		287,700	-	-	-	-	
Two years later		331,340	-	-	-		
Three years later		482,995	-	-			
Four years later		502,240	-				
Five years later		488,053					
Current estimate of cumulative claims incurred		488,053	-	-	-	-	-
At end of accident year		-	-	-	-	-	-
One year later		(19,769)	-	-	-	-	
Two years later		(76,166)	-	-	-		
Three years later		(159,335)	-	-			
Four years later		(262,509)	-				
Five years later		(329,762)					
Cumulative payments to-date		(329,762)	-	-	-	-	-

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2021 (MCIS general insurance business run-off) (continued):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
Group/Company								
Gross general insurance outstanding liabilities (direct and facultative)	4,847,586	158,292	-	-	-	-	-	5,005,878
Gross general insurance outstanding liabilities (treaty inward)								197,963
Best estimate of claim liabilities								5,203,841
Claims handling expenses								72,584
PRAD at 75% confidence Level								450,766
Gross general insurance contract liabilities per statements of financial position								5,727,191

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2021 (Prudential general insurance business run-off):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Group/Company							
At end of accident year		-	5,748,141	1,157,937	-	-	-
One year later		6,207,659	6,155,823	764,665	-	-	
Two years later		6,226,732	5,202,769	718,763	-		
Three years later		6,378,643	5,397,165	718,763			
Four years later		6,213,207	5,373,536				
Five years later		6,184,837					
Current estimate of cumulative claims incurred		6,184,837	5,373,536	718,763	-	-	-
At end of accident year		(2,656,448)	(3,450,422)	(483,694)	-	-	-
One year later		(4,195,671)	(4,435,109)	(594,358)	-	-	
Two years later		(5,022,474)	(5,079,972)	(675,838)	-		
Three years later		(5,434,496)	(5,085,222)	(675,838)			
Four years later		(5,488,702)	(5,311,915)				
Five years later		(5,800,837)					
Cumulative payments to-date		(5,800,837)	(5,311,915)	(675,838)	-	-	-

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Gross general insurance claims liabilities in 2021 (Prudential general insurance business run-off) (continued):

Accident year	**Prior to 2016 RM**	**2016 RM**	**2017 RM**	**2018 RM**	**2019 RM**	**2020 RM**	**2021 RM**	**Total RM**
Group/Company								
Gross general insurance outstanding liabilities (direct and facultative)	149,595	384,000	61,621	42,925	-	-	-	638,141
Gross general insurance outstanding liabilities (treaty inward)								-
Best estimate of claim liabilities								638,141
Claims handling expenses								9,253
PRAD at 75% confidence Level								82,231
Gross general insurance contract liabilities per statements of financial position								729,625

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2021 (PIB):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Group/Company							
At end of accident year		150,715,647	163,233,359	194,471,543	172,774,434	153,062,052	183,954,615
One year later		142,324,732	157,952,520	178,523,366	166,591,291	136,504,358	
Two years later		135,606,014	156,115,914	177,278,386	166,033,362		
Three years later		133,712,532	156,264,867	181,696,404			
Four years later		130,763,122	156,813,420				
Five years later		130,839,761					
Current estimate of cumulative claims incurred		130,839,761	156,813,420	181,696,404	166,033,362	136,504,358	183,954,615
At end of accident year		(57,094,912)	(60,684,046)	(68,271,450)	(71,167,728)	(59,422,634)	(61,552,928)
One year later		(96,246,726)	(111,036,463)	(122,478,865)	(132,596,559)	(93,345,413)	
Two years later		(114,319,389)	(130,070,933)	(150,424,288)	(151,866,647)		
Three years later		(122,112,268)	(143,911,298)	(161,312,491)			
Four years later		(123,986,516)	(147,732,467)				
Five years later		(125,326,137)					
Cumulative payments to-date		(125,326,137)	(147,732,467)	(161,312,491)	(151,866,647)	(93,345,413)	(61,552,928)

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2021 (PIB) (continued):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
Group/Company								
Net general insurance outstanding liabilities (direct and facultative)	2,860,300	5,513,623	9,080,952	20,383,913	14,166,715	43,158,945	122,401,687	217,566,135
Net general insurance outstanding liabilities (treaty inward)								19,464,353
Best estimate of claim liabilities								237,030,488
Claims handling expenses								10,112,594
PRAD at 75% confidence Level								20,484,486
Net general insurance contract liabilities per statements of financial position								267,627,568

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2021 (MCIS general insurance business run-off):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Group/Company							
At end of accident year		23,937	-	-	-	-	-
One year later		39,688	-	-	-	-	
Two years later		38,977	-	-	-		
Three years later		47,058	-	-			
Four years later		49,784	-				
Five years later		49,117					
Current estimate of cumulative claims incurred		49,117	-	-	-	-	-
At end of accident year		-	-	-	-	-	-
One year later		(5,387)	-	-	-	-	
Two years later		(14,557)	-	-	-		
Three years later		(20,596)	-	-			
Four years later		(28,009)	-				
Five years later		(31,259)					
Cumulative payments to-date		(31,259)	-	-	-	-	-

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2021 (MCIS general insurance business run-off) (continued):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
Group/Company								
Net general insurance outstanding liabilities (direct and facultative)	2,616,092	17,859	-	-	-	-	-	2,633,951
Net general insurance outstanding liabilities (treaty inward)								197,963
Best estimate of claim liabilities								2,831,914
Claims handling expenses								72,584
PRAD at 75% confidence Level								198,913
Net general insurance contract liabilities per statements of financial position								3,103,411

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2021 (Prudential general insurance business run-off):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM
Group/Company							
At end of accident year		6,190,620	5,292,896	1,122,934	-	-	-
One year later		5,637,703	5,394,646	739,426	-	-	
Two years later		5,633,741	4,510,864	694,671	-		
Three years later		5,711,020	4,637,851	694,671			
Four years later		5,547,660	4,640,362				
Five years later		5,519,999					
Current estimate of cumulative claims incurred		5,519,999	4,640,362	694,671	-	-	-
At end of accident year		(2,490,530)	(3,124,049)	(466,517)	-	-	-
One year later		(3,978,040)	(4,079,538)	(573,376)	-	-	
Two years later		(4,629,029)	(4,391,137)	(652,819)	-		
Three years later		(4,865,427)	(4,396,256)	(652,819)			
Four years later		(4,918,277)	(4,580,281)				
Five years later		(5,145,599)					
Cumulative payments to-date		(5,145,599)	(4,580,281)	(652,819)	-	-	-

31. INSURANCE RISK (CONTINUED)

Net general insurance claims liabilities in 2021 (Prudential general insurance business run-off) (continued):

Accident year	Prior to 2016 RM	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM	2021 RM	Total RM
Group/Company								
Net general insurance outstanding liabilities (direct and facultative)	145,855	374,400	60,080	41,852	-	-	-	622,187
Net general insurance outstanding liabilities (treaty inward)								-
Best estimate of claim liabilities								622,187
Claims handling expenses								9,253
PRAD at 75% confidence Level								80,195
Net general insurance contract liabilities per statements of financial position								711,635

32. FINANCIAL RISKS

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major classes of financial assets of the Group and the Company are deposits with financial institutions, FVTPL (unit trusts and bonds), loan receivables and trade receivables.

Credit risk arises when the Group's and the Company's cash assets are placed in interest-bearing instruments, mainly fixed and call deposits and repurchase agreements with licensed financial institutions. The Group and the Company manage this credit risk by spreading their deposits with a large group of financial institutions.

Trade receivables are monitored regularly and the Group and the Company adopt various control measures such as 60 days Premium Warranty and Cash Before Cover to minimise this credit risk.

Credit exposure

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statements of financial position.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company’s credit ratings of counterparties.

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	Government Guaranteed RM	Investment grade RM	Not rated RM	Total RM
2022				
Group				
Amortised cost:				
Fixed and call deposits	-	295,833,938	-	295,833,938
Loan	-	-	382,989	382,989
FVTPL financial investments:				
Malaysian Government Securities	52,552,990	-	-	52,552,990
Government Investment Issues	49,769,736	-	-	49,769,736
Corporate bonds	5,044,357	103,603,149	2,492,347	111,139,853
Equity securities	-	1,015,258	61,829,977	62,845,235
Reinsurance assets	-	571,921,551	46,303,142	618,224,693
Insurance receivables and reinsurance recoverables	-	32,807,465	73,447,582	106,255,047
Cash and cash equivalents	-	257,475,357	10,100	257,485,457
	107,367,083	1,262,656,718	184,466,137	1,554,489,938

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	Investment grade RM	Not rated RM	Total RM
2022			
Company			
Amortised cost:			
Fixed and call deposits	295,833,938	-	295,833,938
Loan	-	382,989	382,989
FVTPL financial investments			
Unit trusts	-	225,924,570	225,924,570
Equity securities	-	60,313,201	60,313,201
Reinsurance assets	571,921,551	46,303,142	618,224,693
Insurance receivables and reinsurance recoverables	32,807,465	73,447,582	106,255,047
Cash and cash equivalents	247,073,663	10,100	247,083,763
	1,147,636,617	406,381,584	1,554,018,201

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	Government Guaranteed RM	Investment grade RM	Not rated RM	Total RM
2021				
Group				
Amortised cost:				
Fixed and call deposits	-	73,977,473	-	73,977,473
Loan	-	-	552,798	552,798
FVTPL financial investments:				
Malaysian Government Securities	75,533,601	-	-	75,533,601
Government Investment Issues	112,752,567	-	-	112,752,567
Corporate bonds	29,923,292	78,504,129	2,527,276	110,954,697
Unit trusts	-	-	128,130,830	128,130,830
Equity securities	-	1,037,778	84,978,923	86,016,701
REITs	-	-	2,425,000	2,425,000
Reinsurance assets	-	505,096,598	15,580,354	520,676,952
Insurance receivables and reinsurance recoverables	-	21,201,468	43,905,408	65,106,876
Cash and cash equivalents	-	149,028,049	10,100	149,038,149
	218,209,460	828,845,495	278,110,689	1,325,165,644

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	Investment grade RM	Not rated RM	Total RM
2021			
Company			
Amortised cost:			
Fixed and call deposits	73,977,473	-	73,977,473
Loan	-	552,798	552,798
FVTPL financial investments			
Unit trusts	-	443,632,790	443,632,790
Equity securities	-	83,431,691	83,431,691
REITs	-	2,425,000	2,425,000
Reinsurance assets	505,096,598	15,580,354	520,676,952
Insurance receivables and reinsurance recoverables	21,201,468	43,905,408	65,106,876
Cash and cash equivalents	134,650,517	10,100	134,660,617
	734,926,056	589,538,141	1,324,464,197

32. FINANCIAL RISKS (CONTINUED)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the credit ratings of counterparties obtained from Rating Agency of Malaysia ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), A.M. Best Company ("A.M. Best"), Standard & Poor's ("'S&P") and Fitch Solution. AAA is the highest possible rating.

Credit exposure by credit rating (continued)

	Government Guaranteed RM	AAA RM	AA RM	A RM	BBB RM	Not rated RM	Total RM
2022							
Group							
Amortised cost:							
Fixed and call deposits	-	103,664,161	94,842,103	97,327,674	-	-	295,833,938
Loan	-	-	-	-	-	382,989	382,989
FVTPL financial investments:							
Malaysian Government Securities	52,552,990	-	-	-	-	-	52,552,990
Government Investment Issues	49,769,736	-	-	-	-	-	49,769,736
Corporate bonds	5,044,357	36,925,837	64,687,103	1,990,209	-	2,492,347	111,139,853
Unit trusts	-	-	-	-	-	-	-
Equity securities	-	-	1,015,258	-	-	61,829,977	62,845,235
REITs	-	-	-	-	-	-	-
Reinsurance assets	-	25,443,376	248,516	533,809,685	12,419,974	46,303,142	618,224,693
Insurance receivables and reinsurance recoverables	-	1,159,732	-	29,478,589	2,169,144	73,447,582	106,255,047
Cash and cash equivalents	-	26,948,576	230,526,781	-	-	10,100	257,485,457
	107,367,083	194,141,682	391,319,761	662,606,157	14,589,118	184,466,137	1,554,489,938

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	AAA RM	AA RM	A RM	BBB RM	Not rated RM	Total RM
2022						
Company						
Amortised cost:						
Fixed and call deposits	103,664,161	94,842,103	97,327,674	-	-	295,833,938
Loan	-	-	-	-	382,989	382,989
FVTPL financial investments						
Unit trusts	-	-	-	-	225,924,570	225,924,570
Equity securities	-	-	-	-	60,313,201	60,313,201
REITs	-	-	-	-	-	-
Reinsurance assets	25,443,376	248,516	533,809,685	12,419,974	46,303,142	618,224,693
Insurance receivables and reinsurance recoverables	1,159,732	-	29,478,589	2,169,144	73,447,582	106,255,047
Cash and cash equivalents	17,977,025	229,096,638	-	-	10,100	247,083,763
	148,244,294	324,187,257	660,615,948	14,589,118	406,381,584	1,554,018,201

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	Government Guaranteed RM	AAA RM	AA RM	A RM	BBB RM	Not rated RM	Total RM
2021							
Group							
Amortised cost:							
Fixed and call deposits	-	22,743,120	46,073,577	5,160,776	-	-	73,977,473
Loan	-	-	-	-	-	552,798	552,798
FVTPL financial investments:							
Malaysian Government Securities	75,533,601	-	-	-	-	-	75,533,601
Government Investment Issues	112,752,567	-	-	-	-	-	112,752,567
Corporate bonds	29,923,292	24,351,022	42,959,861	11,193,246	-	2,527,276	110,954,697
Unit trusts	-	-	-	-	-	128,130,830	128,130,830
Equity securities	-	-	1,037,778	-	-	84,978,923	86,016,701
REITs	-	-	-	-	-	2,425,000	2,425,000
Reinsurance assets	-	21,864,561	211,964	471,570,800	11,449,273	15,580,354	520,676,952
Insurance receivables and reinsurance recoverables	-	617,372	3,120	20,260,094	320,882	43,905,408	65,106,876
Cash and cash equivalents	-	24,175,183	124,852,866	-	-	10,100	149,038,149
	218,209,460	93,751,258	215,139,166	508,184,916	11,770,155	278,110,689	1,325,165,644

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	AAA RM	AA RM	A RM	BBB RM	Not rated RM	Total RM
2021						
Company						
Amortised cost:						
Fixed and call deposits	22,743,120	46,073,577	5,160,776	-	-	73,977,473
Loan	-	-	-	-	552,798	552,798
FVTPL financial investments						
Unit trusts	-	-	-	-	443,632,790	443,632,790
Equity securities	-	-	-	-	83,431,691	83,431,691
REITs	-	-	-	-	2,425,000	2,425,000
Reinsurance assets	21,864,561	211,964	471,570,800	11,449,273	15,580,354	520,676,952
Insurance receivables and reinsurance recoverables	617,372	3,120	20,260,094	320,882	43,905,408	65,106,876
Cash and cash equivalents	13,173,883	121,476,634	-	-	10,100	134,660,617
	58,398,936	167,765,295	496,991,670	11,770,155	589,538,141	1,324,464,197

32. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

It is the Group's and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The Group and the Company use the ratings assigned by external rating agencies to assess credit risk.

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

Group/Company	0-3 months RM	4-6 months RM	7-12 months RM	>12 months RM	Total RM
31 December 2022					
Expected credit loss rate	2%	2%	4%	57%	
Insurance receivables and reinsurance recoverables	94,173,943	5,448,299	4,117,861	10,154,355	113,894,458
Expected credit loss	1,575,994	91,580	181,834	5,790,003	7,639,411
31 December 2021					
Expected credit loss rate	3%	3%	3%	44%	
Insurance receivables and reinsurance recoverables	47,942,636	6,259,070	4,953,987	13,503,446	72,659,139
Expected credit loss	1,220,947	175,613	149,916	6,005,787	7,552,263

32. FINANCIAL RISKS (CONTINUED)

At 31 December 2022, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables, reinsurance recoverables and reinsurance assets of RM7,737,054 (2021: RM7,718,229). No collateral is held as security for any past-due or impaired assets. The Group and the Company record impairment allowance for insurance receivables, reinsurance recoverables and reinsurance assets in separate "allowance for impairment losses" account. A reconciliation of the allowance for impairment losses for insurance receivables, reinsurance recoverables and reinsurance assets are as follows:

	Insurance receivables and reinsurance recoverables Allowance for Impairment losses		Reinsurance Assets Allowance for Impairment losses		Total	
	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM
Group/Company						
At 1 January	7,552,263	6,243,558	165,966	229,310	7,718,229	6,472,868
Allowance/ (Write-back) for the financial year	87,148	1,308,705	(68,323)	(63,344)	18,825	1,245,361
At 31 December	7,639,411	7,552,263	97,643	165,966	7,737,054	7,718,229

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arise mainly from its lending commitments, borrowings, trade and other payables.

The Group and the Company actively manage the profile of its deposits with financial institutions, operating cash flows and the availability of funding so as to ensure that all operating needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles

The following table summarises the maturity profile of the financial assets and financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable.

For claims liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised claims liabilities.

Unearned premiums reserves and the reinsurers' share of the unearned premiums reserves have been excluded from the analysis as there are no contractual obligations with those balances.

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM	No maturity date RM	Total RM
2022								
Group								
Financial investments:								
Amortised cost	295,833,938	301,683,235	-	-	-	-	-	301,683,235
FVTPL	276,307,814	35,103,200	182,971,900	14,489,000	3,972,500	-	60,313,201	296,849,801
Reinsurance assets on claim liabilities	460,249,268	253,678,671	171,350,811	27,577,095	7,642,691	-	-	460,249,268
Insurance receivables and reinsurance recoverables	106,255,047	106,255,047	-	-	-	-	-	106,255,047
Other receivables								
- staff loans	382,989	82,725	84,012	70,326	140,979	4,947	-	382,989
- bond collateral deposits placements	1,223,369	1,230,084	-	-	-	-	-	1,230,084
Cash and cash equivalents	257,485,457	236,404,018	-	-	-	-	21,395,654	257,799,672
Total financial assets	1,397,737,882	934,436,980	354,406,723	42,136,421	11,756,170	4,947	81,708,855	1,424,450,096

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM	No maturity date RM	Total RM
2022								
Company								
Financial investments:								
Amortised cost	295,833,938	301,683,235	-	-	-	-	-	301,683,235
FVTPL	286,237,771	-	-	-	-	-	286,237,771	286,237,771
Reinsurance assets on claim liabilities	460,249,268	253,678,671	171,350,811	27,577,095	7,642,691	-	-	460,249,268
Insurance receivables and reinsurance recoverables	106,255,047	106,255,047	-	-	-	-	-	106,255,047
Other receivables								
- staff loans	382,989	82,725	84,012	70,326	140,979	4,947	-	382,989
- bond collateral deposits placements	1,223,369	1,230,084	-	-	-	-	-	1,230,084
Cash and cash equivalents	247,083,763	226,033,533	-	-	-	-	21,362,858	247,396,391
Total financial assets	1,397,266,145	888,963,295	171,434,823	27,647,421	7,783,670	4,947	307,600,629	1,403,434,785

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM	No maturity date RM	Total RM
2022								
Group/Company								
Insurance contract liabilites								
- claim liabilities	763,149,277	402,895,208	282,030,484	57,455,794	20,767,791	-	-	763,149,277
Subordinated loans	35,898,806	-	-	-	48,099,566	-	-	48,099,566
Insurance payables	114,265,465	114,265,465	-	-	-	-	-	114,265,465
Other payables								
- cash collateral held for bond business	663,681	663,681	-	-	-	-	-	663,681
Lease liability	4,300,423	1,692,350	2,828,620	-	-	-	-	4,520,970
Total financial liabilities	918,277,652	519,516,704	284,859,104	57,455,794	68,867,357	-	-	930,698,959

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM	No maturity date RM	Total RM
2021								
Group								
Financial investments:								
Amortised cost	73,977,473	74,916,220	-	-	-	-	-	74,916,220
FVTPL	515,813,396	31,124,645	61,064,975	37,507,210	215,855,265	43,535,280	213,987,521	603,074,896
Reinsurance assets on claim liabilities	386,716,971	198,450,845	130,415,222	39,166,847	18,684,057	-	-	386,716,971
Insurance receivables and reinsurance recoverables	65,106,876	65,106,876	-	-	-	-	-	65,106,876
Other receivables								
- staff loans	552,798	115,951	156,159	84,166	188,059	8,463	-	552,798
- bond collateral deposits placements	1,216,728	1,233,631	-	-	-	-	-	1,233,631
Cash and cash equivalents	149,038,149	135,520,839	-	-	-	-	13,623,473	149,144,312
Total financial assets	1,192,422,391	506,469,007	191,636,356	76,758,223	234,727,381	43,543,743	227,610,994	1,280,745,704

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM	No maturity date RM	Total RM
2021								
Company								
Financial investments:								
Amortised cost	73,977,473	74,916,220	-	-	-	-	-	74,916,220
FVTPL	529,489,481	-	-	-	-	-	529,489,481	529,489,481
Reinsurance assets on claim liabilities	386,716,971	198,450,845	130,415,222	39,166,847	18,684,057	-	-	386,716,971
Insurance receivables and reinsurance recoverables	65,106,876	65,106,876	-	-	-	-	-	65,106,876
Other receivables								
- staff loans	552,798	115,951	156,159	84,166	188,059	8,463	-	552,798
- bond collateral deposits placements	1,216,728	1,233,631	-	-	-	-	-	1,233,631
Cash and cash equivalents	134,660,617	121,289,838	-	-	-	-	13,475,518	134,765,356
Total financial assets	1,191,720,944	461,113,361	130,571,381	39,251,013	18,872,116	8,463	542,964,999	1,192,781,333

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (CONTINUED)

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	Over 15 years RM	No maturity date RM	Total RM
2021								
Group/Company								
Insurance contract liabilites								
- claim liabilities	658,325,552	345,459,513	226,815,604	60,525,946	25,524,489	-	-	658,325,552
Subordinated loans	35,898,806	-	-	-	49,812,529	-	-	49,812,529
Insurance payables	77,427,229	77,427,229	-	-	-	-	-	77,427,229
Other payables								
- cash collateral held for bond business	1,215,546	611,241	604,305	-	-	-	-	1,215,546
Lease liability	3,467,782	3,167,058	414,663	-	-	-	-	3,581,721
Total financial liabilities	776,334,915	426,665,041	227,834,572	60,525,946	75,337,018	-	-	790,362,577

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Current RM	Non-Current RM	Total RM
Group			
2022			
Financial investments:			
Amortised cost	295,833,938	-	295,833,938
FVTPL	94,690,958	181,616,856	276,307,814
Reinsurance assets on claim liabilities	253,678,671	206,570,597	460,249,268
Insurance receivables and reinsurance recoverables	106,255,047	-	106,255,047
Loans	82,725	300,264	382,989
Other receivables			
- bond collateral deposits placements	1,223,369	-	1,223,369
Cash and cash equivalents	257,485,457	-	257,485,457
Total financial assets	1,009,250,165	388,487,717	1,397,737,882
2021			
Financial investments:			
Amortised cost	73,977,473	-	73,977,473
FVTPL	244,706,309	271,107,087	515,813,396
Reinsurance assets on claim liabilities	198,450,845	188,266,126	386,716,971
Insurance receivables and reinsurance recoverables	65,106,876	-	65,106,876
Loans	115,951	436,847	552,798
Other receivables			
- bond collateral deposits placements	1,216,728	-	1,216,728
Cash and cash equivalents	149,038,149	-	149,038,149
Total financial assets	732,612,331	459,810,060	1,192,422,391

32. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Current RM	Non-Current RM	Total RM
Company			
2022			
Financial investments:			
Amortised cost	295,833,938	-	295,833,938
FVTPL	286,237,771	-	286,237,771
Reinsurance assets on claim liabilities	253,678,671	206,570,597	460,249,268
Insurance receivables and reinsurance recoverables	106,255,047	-	106,255,047
Loans	82,725	300,264	382,989
Other receivables - bond collateral deposits placements	1,223,369	-	1,223,369
Cash and cash equivalents	247,083,763	-	247,083,763
Total financial assets	1,190,395,284	206,870,861	1,397,266,145
2021			
Financial investments:			
Amortised cost	73,977,473	-	73,977,473
FVTPL	529,489,481	-	529,489,481
Reinsurance assets on claim liabilities	198,450,845	188,266,126	386,716,971
Insurance receivables and reinsurance recoverables	65,106,876	-	65,106,876
Loans	115,951	436,847	552,798
Other receivables - bond collateral deposits placements	1,216,728	-	1,216,728
Cash and cash equivalents	134,660,617	-	134,660,617
Total financial assets	1,003,017,971	188,702,973	1,191,720,944

32. FINANCIAL RISKS (CONTINUED)

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company’s financial instruments will fluctuate because of changes in market prices (other than interest rates).

The Group's and the Company's investments in equities and REITs are subject to fluctuation in market prices of quoted securities while investments in unit trusts are subject to fluctuation in the net asset value of the unit trust funds. The Group's and the Company’s investments in unit trusts are managed by licensed asset management companies. The Group and the Company have given clear investment guidelines and performance benchmarks to the asset management companies under the fund management agreements in order to manage the market risk. The unit trusts held by the Group and the Company are invested with unit trust funds governed by the unit trust guidelines and regulations stipulated by the Securities Commission. The Group and the Company monitor the performance of the investments against the relevant performance benchmarks established by the Group and the Company.

The analysis below is performed for reasonably possible price movements in the unit trust funds and trading securities of the Group and the Company. The impact on equity represents the changes in fair value of financial assets.

	2022			2021		
	Changes in variables RM	Impact on profit before tax RM	Impact on equity* RM	Changes in variables RM	Impact on profit before tax RM	Impact on equity* RM
Group						
Market value						
FVTPL:						
Equities	+5%	3,142,262	2,195,684	+5%	4,300,835	3,041,154
Equities	-5%	(3,142,262)	(2,195,684)	-5%	(4,300,835)	(3,041,154)
REITs	+5%	-	-	+5%	121,250	92,150
REITs	-5%	-	-	-5%	(121,250)	(92,150)
Unit trust investments	+5%	-	-	+5%	6,406,541	4,868,972
Unit trust investments	-5%	-	-	-5%	(6,406,541)	(4,868,972)
Company						
Market value						
FVTPL:						
Equities	+5%	3,015,660	2,291,902	+5%	4,300,835	3,041,154
Equities	-5%	(3,015,660)	(2,291,902)	-5%	(4,300,835)	(3,041,154)
REITs	+5%	-	-	+5%	121,250	92,150
REITs	-5%	-	-	-5%	(121,250)	(92,150)
Unit trust investments	+5%	11,296,228	8,585,134	+5%	22,181,639	16,858,046
Unit trust investments	-5%	(11,296,228)	(8,585,134)	-5%	(22,181,639)	(16,858,046)

* Impact on equity reflects adjustments for tax, where applicable.

32. FINANCIAL RISKS (CONTINUED)

Interest rate risk

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

The Group's and the Company's primary interest rate risk relate to interest-bearing assets. The interest-bearing assets are made up primarily of fixed and call deposits with licensed financial institutions, Malaysian Government Securities and bonds issued by corporations in Malaysia. Floating rate/yield instruments expose the Group and the Company to cash flow interest/profit risk, whereas fixed rate/yield instruments expose the Group and the Company to fair value interest/profit risk.

The Group and the Company manage the interest rate risk of its deposits with licensed financial institutions by maintaining a prudent mix of short and longer term deposits and actively reviewing its portfolio of deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the deposits and fixed income securities of the Group and the Company:

	Impact on profit before tax RM	Impact on equity* RM
Group		
Change in interest rates:		
2022		
+50 basis points	21,795	16,564
- 50 basis points	11,281	8,573
2021		
+50 basis points	(7,431,006)	(5,647,565)
- 50 basis points	8,066,341	6,130,419
Company		
Change in interest rates:		
2022		
+50 basis points	2,075,055	1,577,042
- 50 basis points	(2,075,055)	(1,577,042)
2021		
+50 basis points	859,752	653,411
- 50 basis points	(859,752)	(653,411)

* Impact on equity reflects adjustments for tax, where applicable.

33. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2022, as prescribed under the Risk-Based Capital Framework is provided below:

	2022 RM	2021 RM
Eligible Tier 1 Capital		
Share capital (paid-up)	219,875,038	219,875,038
Reserves, including retained earnings	200,479,449	189,289,847
	420,354,487	409,164,885
Tier 2 Capital		
Subordinated term debts	24,337,504	24,337,504
	24,337,504	24,337,504
Deductions		
Goodwill & other intangible assets	(47,328,463)	(48,219,915)
Deferred tax assets	(7,139,735)	(10,287,608)
	(54,468,198)	(58,507,523)
Total Capital Available	390,223,793	374,994,866

34. CONTINGENT LIABILITY

In August 2016, Malaysia Competition Commission ("MyCC") had commenced investigation under Section 15(1) of the Competition Act 2010 (“the Act”) against the General Insurance Association of Malaysia ("PIAM") and its 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, MyCC issued a Proposed Decision to all 22 member companies, proposing to impose collective penalty of RM213.5 million on the general insurance industry. As an ‘industry collective action’, the Company together with PIAM, submitted written representation and made oral representation to MyCC on 25 April 2017 and 29 January 2018 respectively to defend the allegation.

Due to the changes of Chairman of MyCC and new members being added to MyCC, the new Chairman decided that there would be a re-hearing of the case. The hearing session which was set for 19 - 21 February 2019 concluded and as the dates set were not sufficient for all the insurers to submit their arguments, further hearing dates were set for May and June 2019.

On 25 September 2020, the Company's solicitors received the final decision ("Decision") that parties had infringed the prohibition under Section 4 of the Act and had imposed on each of the 22 general insurers financial penalties for the said infringement.

In view of the impact of COVID-19 pandemic, MyCC granted a reduction of 25% of the financial penalty imposed on the 22 general insurers. The financial penalty imposed on the Company, taking into account the 25% reduction, amounts to RM1,643,583.

34. CONTINGENT LIABILITY (CONTINUED)

The Company had on 14 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") against the Decision, pursuant to Section 51 of the Act ("Appeal"). On 27 October 2020, the Company had also filed a Stay Application with the CAT pursuant to Section 53 of the Act for the grant of a stay of the Decision in respect of the financial penalty imposed on the Company.

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. Due to the extension of the Movement Control Order ("MCO"), the hearing for the Stay Application and case management for the Appeal were further rescheduled for online hearing on 25 of February 2021 and online case management on 26 February 2021, respectively. The CAT started hearing oral submissions for the Stay Application on 25 February 2021. The hearing was then continued on 26 February 2021, 5 March 2021 and 12 March 2021. The CAT has fixed 23 March 2021 for the decision on the Stay Application.

On 23 March 2021, CAT unanimously allowed the Stay Application filed and ordered that the cease and desist order as well as the financial penalty imposed be stayed pending the disposal of the appeal, with no order as to costs. Subsequently, in the case management on 30 April 2021, the CAT has fixed the hearing of the appeals by BNM on 2 July 2021 and by PIAM and insurers on 12 November 2021, 15 November 2021, 16 November 2021 and 26 November 2021. Due to the MCO, the hearing of the appeal by BNM on 2 July 2021 was rescheduled and CAT heard the submissions of BNM counsel on 15 October 2021 and 29 October 2021.

In respect of the appeal by PIAM and insurers, CAT has read and heard the opening written and oral submissions by the relevant counsels, including the Company's, on 12 November 2021, 15 November 2021, 16 November 2021, 19 November 2021 and 26 of November 2021. The next scheduled hearing dates have been fixed by CAT on 17 March 2022 and 21 March 2022 for the hearing of reply submissions from counsel for MyCC and the hearing of rebuttal submissions from counsels for PIAM and insurers on 24 March 2022, 6 April 2022, 7 April 2022 and 21 April 2022.

Having completed the hearing from counsel for MyCC and counsels for PIAM and insurers, the CAT reserved its decision.

On 2 February 2022, the CAT unanimously allowed the appeals filed by PIAM and the insurers and the MyCC’s entire final decision dated 14 September 2020 was set aside. However, the Company was informed by its counsels on 6 September 2022 that the MyCC had filed an ex-parte application to the High Court for leave to commence judicial review proceedings against the CAT’s decision. In view thereof, the Company has instructed its counsels to seek leave from the court to intervene in MyCC ex-parte application and be heard as putative respondents to argue against the granting of leave to MyCC. The hearing date of the MyCC ex parte leave application has now been rescheduled from 10 January 2023 to 8 May 2023.

The Management of the Company believes that the criteria to disclose the above as a contingent liability is met. Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Dato' Khalid bin Abdol Rahman and Dato' Chan Choy Lin, being two of the Directors of The Pacific Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 23 to 141 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of the results and the cash flows of the Group and the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 March 2023.

DATO' KHALID BIN ABDOL RAHMAN
DIRECTOR

DATO' CHAN CHOY LIN
DIRECTOR

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

I, Athappan Gobinath Arvind, being the Officer primarily responsible for the financial management of The Pacific Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 23 to 141 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.

ATHAPPAN GOBINATH ARVIND

Subscribed and solemnly declared by the abovenamed Athappan Gobinath Arvind at Kuala Lumpur in Wilayah Persekutuan on 17 March 2023, before me

PESURUHJAYA SUMPAH
NO. PJS: W706
TIONG SUOK HOON
No. Sijil Amalan Peguam: BC/T/1102
Tempoh Lantikan: 01-01-2022 - 31-12-2024
MALAYSIA

COMMISSIONER FOR OATHS

No. 109A, Batu 3 ¼
Jalan Kelang Lama
58000 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of The Pacific Insurance Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their 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 Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 141.

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 Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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 Group and of the Company and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

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

(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 Group's and 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 Group's or 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 Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditor, is disclosed in Note 7 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2024 J
Chartered Accountant

Kuala Lumpur
17 March 2023