

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
Company No. 200601015674 (735426-V)

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020-UNAUDITED

	Note	30.6.2020 RM'000	31.12.2019 RM'000
Assets			
Property, plant and equipment		62,379	63,988
Right-of-use assets		42,839	49,951
Investment properties		16,315	16,315
Intangible assets		96,984	101,910
Investments		4,883,335	4,282,862
Reinsurance assets	7	867,879	857,473
Insurance receivables		232,123	143,020
Loans and receivables		85,071	96,603
Deferred acquisition costs		113,298	111,423
Current tax assets		18,501	12,584
Cash and cash equivalents		233,221	690,190
Total assets		6,651,945	6,426,319
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,788,319	1,645,705
Other reserves		136,620	91,476
Total equity		2,304,107	2,116,349
Insurance contract liabilities	8	3,874,577	3,658,555
Insurance payables		207,693	206,318
Other payables and accruals		199,289	388,645
Lease liabilities		35,817	42,644
Deferred tax liabilities		30,462	13,808
Total liabilities		4,347,838	4,309,970
Total equity and liabilities		6,651,945	6,426,319

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 30 JUNE 2020-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2020 RM'000	Preceding year Corresponding Half-Yearly 30.6.2019 RM'000	Current Year To Date 30.6.2020 RM'000	Preceding year Corresponding Period 30.6.2019 RM'000
Operating revenue	1,200,403	1,153,683	1,200,403	1,153,683
Gross earned premiums	1,109,476	1,061,110	1,109,476	1,061,110
Premiums ceded to reinsurers	(116,691)	(140,313)	(116,691)	(140,313)
Net earned premiums	992,785	920,797	992,785	920,797
Investment income	90,927	92,573	90,927	92,573
Realised gains and losses	656	1,352	656	1,352
Fee and commission income	12,910	20,001	12,910	20,001
Other operating income	39	2,954	39	2,954
Other revenue	104,532	116,880	104,532	116,880
Gross claim paid	(425,513)	(565,848)	(425,513)	(565,848)
Claims ceded to reinsurers	29,673	54,952	29,673	54,952
Gross change to contract liabilities	(189,795)	(61,133)	(189,795)	(61,133)
Change in contract liabilities ceded to reinsurers	5,294	20,433	5,294	20,433
Net claims incurred	(580,341)	(551,596)	(580,341)	(551,596)
Fee and commission expense	(141,181)	(131,509)	(141,181)	(131,509)
Management expenses	(184,511)	(172,758)	(184,511)	(172,758)
Finance cost	(767)	(1,012)	(767)	(1,012)
Other operating expenditure	(570)	(2,428)	(570)	(2,428)
Other expenses	(327,029)	(307,707)	(327,029)	(307,707)
Profit before tax	189,947	178,374	189,947	178,374
Tax expense	(47,333)	(45,837)	(47,333)	(45,837)
Profit for the period	142,614	132,537	142,614	132,537
Profit attributable to:				
Owners of the Company	142,614	132,537	142,614	132,537

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2020-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2020 RM'000	Preceding year Corresponding Half-Yearly 30.6.2019 RM'000	Current Year To Date 30.6.2020 RM'000	Preceding year Corresponding Period 30.6.2019 RM'000
Profit for the period	142,614	132,537	142,614	132,537
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale ("AFS") financial assets				
- Net unrealised gain arising during the year	60,056	60,050	60,056	60,050
- Realised gain / (loss) transferred to income statement	(656)	1,348	(656)	1,348
	59,400	61,398	59,400	61,398
Tax effects thereon	(14,256)	(14,736)	(14,256)	(14,736)
	45,144	46,662	45,144	46,662
Other comprehensive income for the period, net of tax	45,144	46,662	45,144	46,662
Total comprehensive income for the period	187,758	179,199	187,758	179,199
Total comprehensive income attributable to: Owners of the Company	187,758	179,199	187,758	179,199

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020 - UNAUDITED

	Non distributable				Distributable	Total equity RM'000
	Share Capital RM'000	Capital reserve RM'000	Fair value reserve RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	
At 1 January 2019	379,168	4,523	10,083	15,542	1,570,973	1,980,289
Fair value of available-for-sale financial assets	-	-	46,662	-	-	46,662
Total other comprehensive income for the period	-	-	46,662	-	-	46,662
Profit for the period	-	-	-	-	132,537	132,537
Total comprehensive income for the period	-	-	46,662	-	132,537	179,199
At 30 June 2019	379,168	4,523	56,745	15,542	1,703,510	2,159,488
At 1 January 2020	379,168	4,523	71,411	15,542	1,645,705	2,116,349
Fair value of available-for-sale financial assets	-	-	45,144	-	-	45,144
Total other comprehensive income for the period	-	-	45,144	-	-	45,144
Profit for the period	-	-	-	-	142,614	142,614
Total comprehensive income for the period	-	-	45,144	-	142,614	187,758
At 30 June 2020	379,168	4,523	116,555	15,542	1,788,319	2,304,107

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2020-UNAUDITED**

	As at 30.6.2020	As at 30.6.2019
Operating activities		
Profit before tax	189,947	178,374
Investment income	(90,927)	(92,573)
Realised gain recorded in profit or loss	(656)	(1,348)
Realised (gain)/ loss on disposal of property, plant and equipment	1	(4)
Purchases of available-for-sale financial investments	(773,987)	(596,760)
Placement of fixed deposits	(127,959)	(86,948)
Maturity of fixed deposits	140,312	92,251
Proceeds from sale of available-for-sale financial investments	120,610	158,669
Maturity of available-for-sale financial investments	98,333	271,000
Non-cash items:		
Depreciation of property, plant and equipment	3,803	4,109
Depreciation of right-of-use assets	7,064	7,436
Amortisation of intangible assets	7,843	6,076
Allowance for impairment loss on receivables	425	7,795
Reversal of impairment loss on reinsurance assets	(3)	-
Bad debts recovered	(74)	(38)
Property, plant and equipment written off	26	814
Bad debts written off on receivables	1,192	-
Interest expense	398	352
Interest on lease liabilities	767	1,012
Changes in working capital:		
Change in reinsurance assets	(10,406)	5,823
Change in insurance receivables	(90,645)	(76,927)
Change in loans and other receivables	13,807	(4,246)
Change in deferred acquisition costs	(1,874)	(4,305)
Change in insurance contract liabilities	216,023	68,766
Change in insurance payables	1,375	5,610
Change in other payables and accruals	10,067	38,179
	(284,538)	(16,883)
Interest income received	76,804	84,658
Dividend income from unquoted unit trust	13,986	7,949
Rental income received	135	305
Interest on lease liabilities	(767)	(1,012)
Income tax paid	(50,852)	(39,005)
Net cash flows (used in)/ from operating activities	(245,232)	36,012

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Company No. 200601015674 (735426-V)

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CONDENSED INTERIM STATEMENT OF CASH FLOW FOR THE HALF-YEAR ENDED 30 JUNE 2020-UNAUDITED

	As at 30.6.2020	As at 30.6.2019
Investing activities		
Proceeds from disposal of property, plant and equipment	9	83
Proceeds from disposal of intangible assets	-	6,393
Purchase of property, plant and equipment	(2,230)	(4,360)
Purchase of intangibles assets	(2,917)	(4,239)
Net cash flows used in investing activities	<u>(5,138)</u>	<u>(2,123)</u>
Financing activities		
Dividends paid to owners of the Company	(199,822)	(159,630)
Repayment of lease liabilities	(6,777)	(6,613)
Net cash flows used in financing activities	<u>(206,599)</u>	<u>(166,243)</u>
Net (decrease)/ increase in cash and cash equivalents	(456,969)	(132,354)
Cash and cash equivalents at beginning of year	690,190	490,036
Cash and cash equivalents at end of period	<u>233,221</u>	<u>357,682</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	229,787	343,362
Cash and bank balances	3,434	14,320
	<u>233,221</u>	<u>357,682</u>

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

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Part A: Explanatory notes to the condensed financial statements

1. Basis of preparation

The condensed interim financial statements of the Company have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Company for the Report are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2019, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

The Conceptual Framework for Financial Reporting (Revised 2018)

Amendments to MFRS 3, *Definition of a Business*

Amendments to MFRS 101 and MFRS 108, *Definition of Material*

Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*

Amendments to MFRS 10 and MFRS 128, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Company has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. Hence, the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9, Financial Instruments before the forthcoming new insurance contracts standard.

The amendments provide 2 different approaches for the Company:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional.

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2. Changes in accounting policies (continued)

Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

The following additional disclosures, required by MFRS 9 for company qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

	Fair value as at 30.6.2020 RM'000	Change in fair value RM'000	Cash flows characteristic
Financial assets			
Malaysian government securities	1,524,310	22,548	SPPI
Malaysian government guaranteed bonds	697,621	11,912	SPPI
Unquoted bonds of corporations	1,329,080	12,034	SPPI
Unquoted unit trust in Malaysia	1,121,778	12,892	Non-SPPI
Negotiable certificates of deposits	20,791	14	SPPI
Fixed deposits with licensed banks	189,755	-	SPPI
Loans and other receivables	85,071	-	SPPI
Cash and cash equivalents	233,221	-	SPPI
	<u>5,201,627</u>	<u>59,400</u>	

* Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17, Insurance Contracts.

Other than the financial assets included in the table above and assets that are within the scope of MFRS 17, Insurance Contract, all other assets in the statement of financial position are non-financial assets.

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2. Changes in accounting policies (continued)

Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
<u>Investments</u>			
Malaysian government securities	22,548	-	22,548
Malaysian government guaranteed bonds	11,912	-	11,912
Unquoted debt securities	12,034	-	12,034
Unquoted unit trust in Malaysia	-	12,892	12,892
Negotiable certificates of deposits	14	-	14
	<u>46,508</u>	<u>12,892</u>	<u>59,400</u>

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2. Changes in accounting policies (continued)

Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)

Financial assets with SPPI cash flows

Gross carrying amounts under MFRS 139 by credit risk rating grades

Investments

	AAA	AA	A	BBB	Non- investment grade	Non-rated	Past-due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	-	-	-	-	-	1,524,310	-	1,524,310
Malaysian government guaranteed bonds	-	-	-	-	-	697,621	-	697,621
Unquoted debt securities	747,875	546,601	30,855	11,097	-	-	-	1,336,428
Negotiable certificates of deposits	20,791	-	-	-	-	-	-	20,791
Fixed deposits	58,273	131,482	-	-	-	-	-	189,755
Loans and other receivables	-	-	-	-	-	85,071	-	85,071
Cash and cash equivalents	152,169	80,451	516	-	-	85	-	233,221
	<u>979,108</u>	<u>758,534</u>	<u>31,371</u>	<u>11,097</u>	<u>-</u>	<u>2,307,087</u>	<u>-</u>	<u>4,087,198</u>

* All financial assets with SPPI cash flows of the Company as at 30 June 2020 have low credit risk.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2020 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

3. Items of an unusual nature

The results of the Company for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. Changes in estimates

There were no significant changes in basis used for amounts reported in prior financial year that have a material effect in the financial period under review.

5. Seasonal or cyclical factors

The operations of the Company for the financial period under review were not significantly affected by seasonality or cyclical factors.

6. Property, plant and equipment

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. There were no changes in the valuation of property, plant and equipment that were brought forward from the Company's audited financial statements for the year ended 31 December 2019.

7. Reinsurance assets

	30.6.2020	31.12.2019
	RM'000	RM'000
Non-current		
Reinsurance of insurance contracts		
Claims liabilities	269,915	264,972
Current		
Reinsurance of insurance contracts		
Claims liabilities	495,734	495,384
Allowance for impairment	(2,582)	(2,586)
	493,152	492,798
Premium liabilities	104,812	99,703
	597,964	592,501
	867,879	857,473

8. Insurance contract liabilities

General insurance contract liabilities consist of:

	30.6.2020			31.12.2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported	1,956,122	(537,215)	1,418,907	1,872,966	(537,797)	1,335,169
Provision for incurred but not reported claims	787,916	(228,434)	559,482	681,278	(222,559)	458,719
Provision for outstanding claims	2,744,038	(765,649)	1,978,389	2,554,244	(760,356)	1,793,888
Allowance for impairment	-	2,582	2,582	-	2,586	2,586
Provision for outstanding claims (i)	2,744,038	(763,067)	1,980,971	2,554,244	(757,770)	1,796,474
Provision for unearned premiums (ii)	1,130,539	(104,812)	1,025,727	1,104,311	(99,703)	1,004,608
	3,874,577	(867,879)	3,006,698	3,658,555	(857,473)	2,801,082

8. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2020			31.12.2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	2,554,244	(757,770)	1,796,474	2,475,391	(714,461)	1,760,930
Claims incurred in the current accident year	683,045	(47,928)	635,117	1,509,464	(220,818)	1,288,646
Adjustment to claims incurred in prior accident year	16,896	(6,828)	10,068	(4,010)	(9,487)	(13,497)
Other movements in claims incurred in prior accident year	(84,634)	19,786	(64,848)	(256,986)	81,075	(175,911)
Claims paid during the year	(425,513)	29,673	(395,840)	(1,169,615)	105,921	(1,063,694)
At 30 June / 31 December	2,744,038	(763,067)	1,980,971	2,554,244	(757,770)	1,796,474

(ii) Provision for unearned premium

	30.6.2020			31.12.2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,104,311	(99,703)	1,004,608	1,030,227	(122,965)	907,262
Premiums written in the year	1,135,704	(121,800)	1,013,904	2,197,501	(241,747)	1,955,754
Premiums earned during the year	(1,109,476)	116,691	(927,785)	(2,123,417)	265,009	(1,858,408)
At 30 June / 31 December	1,130,539	(104,812)	1,025,727	1,104,311	(99,703)	1,004,608

9. Changes in group composition

There were no changes in the composition of the Company during the financial period under review.

10. Capital commitments

	30.6.2020	31.12.2019
	RM'000	RM'000
Property, plant and equipment Contracted but not provided for	798	1,120
Software development Contracted but not provided for	370	83

11. Related party transactions

Significant related party transactions are as follows:

	Transaction value	
	Six months ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(75,067)	(74,993)

*Related companies are companies within the Allianz SE Group.

12. Changes in contingent liabilities

On 10 August 2016, the Malaysia Competition Commission (“MyCC”) commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia (“PIAM”) and all 22 general insurers including the Company of Section 4(2)(a) of the Competition Act 2010 (“CA”). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia (“FAWOAM”) in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by the Company pursuant to a members’ circular issued by PIAM, which arose from Bank Negara Malaysia (“BNM”)'s directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, the Company received MyCC's notice of proposed decision (“Proposed Decision”) that the Company and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. The Company, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, the Company submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. The Company's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard the Company's Oral Representation, the Company's solicitors had requested MyCC to hold de novo (new) proceedings in relation to the Company's Oral Representation before the new Members of Commission. The Company's Oral Representation sessions took place on 19 and 20 February 2019. PIAM had commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel covering 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation of PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel were heard over 17 and 18 June 2019. No indication was given as to the timeline of the delivery of the decision.

The Proposed Decision is not final as at the date of this report, and the Company in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

13. Debt and equity securities

There were no issuances of shares, shares buy-backs and repayment of debt and equity securities by the Company during the half-year under review.

14. Regulatory capital requirements

	30.6.2020	30.6.2019
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,788,319	1,703,510
	<u>2,167,487</u>	<u>2,082,678</u>
Tier 2 Capital		
Reserves	136,620	76,810
	<u>136,620</u>	<u>76,810</u>
Amounts deducted from capital	(97,002)	(78,804)
Total capital available	<u><u>2,207,105</u></u>	<u><u>2,080,684</u></u>

15. Subsequent events

There were no material events subsequent to the end of the financial period under review that have not been reported in this report for the financial period under review.

16. Dividend paid

An interim dividend of 52.7 sen per ordinary share under single tier system amounting to RM199,821,637.71 for the financial year ended 31 December 2019 was paid to the entitled shareholder of the Company on 14 January 2020.

17. Changes in material litigation

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since wound up) ("CAB") previously in respect of CAB's Extended Warranty Program ("EWP").

The Company took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. The Company's legal position was that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This was disputed by VSC who claimed that the treaty reinsurance lapsed on 30 September 2011.

17. Changes in material litigation (continued)

On 11 December 2013, the Company commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify the Company for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both parties then filed further written submissions bringing the arbitration proceedings to an end.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC ("Award") whilst the Dissenting Arbitrator found in favour of the Company.

The Award ordered the Company to pay the following:

- (a) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (b) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (c) RM668,160, 69 for costs and expenses incurred by VSC; and
- (d) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

AGIC's Originating Summons – High Court

AGIC's solicitors were of the view that there were reasonable grounds to seek a review of the Award, including to set aside the Award. An Originating Summons was filed at the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under Section 37(2)(b)(ii) of the Arbitration Act 2005 ("Act") and for a Reference of Questions of law under Section 42 of the Act. AGIC's solicitors presented their Oral Submissions at the Hearing on 18 February 2019. The Hearing continued on 13 March 2019 during which VSC's solicitor presented its oral arguments and Further Written Submissions. AGIC's solicitors filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. On 28 June 2019, the Court declined the application to set aside the Award ("Decision").

AGIC's solicitors filed a Notice of Appeal to the Court of Appeal against the Decision on 15 July 2019 ("Appeal"). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019 and directed the filing of the Record of Appeal by 26 September 2019.

Separately, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC, which if allowed, would have resulted in AGIC having to pay VSC all the costs ordered by the Award.

17. Changes in material litigation (continued)

Update on VSC's OS Application

At the first case management on VSC's OS on 26 September 2019, AGIC's solicitors informed the Court that as the Appeal was pending before the Court of Appeal, VSC's OS was premature. The Court then fixed the matter for further case management for VSC's solicitors to address the issue of holding over of VSC's OS, pending the determination of the Appeal. AGIC's solicitors filed a stay application on VSC's OS and on 7 November 2019, the Judge allowed AGIC's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC'S OS should be withdrawn and filed afresh (should VSC succeed in dismissing the appeal), and since VSC agreed to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

Update on AGIC's Appeal

At the case management on AGIC's Appeal on 9 October 2019, a further case management was fixed on 20 November 2019. On 20 November 2019, a further case management was fixed on 13 January 2020, pending the High Court's substantive Grounds of Decision ("Grounds"). At the case management on 13 January 2020, the Court of Appeal fixed a further case management on 19 February 2020, as AGIC's solicitors had yet to receive the Grounds. On 17 February 2020, the Court of Appeal wrote to parties' solicitors to give notice that the case management fixed for 19 February 2020 was rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors had yet to receive the Grounds. As such, a further case management was fixed for 8 April 2020. Just before the effective date of the Movement Control Order, the High Court notified that the Grounds were ready for collection but since AGIC's solicitors were unable to collect the Grounds, at the e-review of the matter on 8 April 2020, a new date for case management was fixed for 15 May 2020. On 15 May 2020, AGIC's solicitors informed the Court of Appeal that the Grounds had since been collected and the Court of Appeal directed for the Memorandum of Appeal and Supplementary Record of Appeal to be filed before the next case management fixed for 9 July 2020. On 9 July 2020, the Court of Appeal fixed a further case management date on 19 August 2020 as the Notes of Proceedings are still pending. At the case management on 19 August 2020, the Court of Appeal fixed the appeal for Hearing on 2 February 2021 and there will be a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions.