



**MNRB Holdings Berhad**

197201001795 (13487-A)  
(Incorporated in Malaysia)

**SUMMARY OF THE KEY MATTERS DISCUSSED AT THE 47<sup>TH</sup> ANNUAL GENERAL MEETING OF MNRB HOLDINGS BERHAD HELD FULLY VIRTUAL VIA REMOTE PARTICIPATION AND ELECTRONIC VOTING (RPEV) FROM THE BROADCAST VENUE AT THE FUNCTION ROOM, 3<sup>RD</sup> FLOOR, BANGUNAN MALAYSIAN RE, NO. 17, LORONG DUNGUN, DAMANSARA HEIGHTS, 50490 KUALA LUMPUR ON THURSDAY, 24 SEPTEMBER 2020 AT 11.00 A.M.**

Y.Bhg Datuk Johar Che Mat (“the Chairman”) chaired the 47<sup>th</sup> Annual General Meeting (“47<sup>th</sup> AGM”) of the Company. The Chairman called the meeting to order at 11.10 a.m. after confirmation by the Company Secretary of the requisite quorum being present pursuant to Article 69 of the Company’s Constitution.

The Chairman proceeded to introduce the Board members, President & Group Chief Executive Officer (“GCEO”), Group Chief Financial Officer and the Company Secretary to the shareholders. The Chairman then welcomed the newly appointed GCEO Designate of the Company, Chief Executive Officers of the subsidiaries and Partner from Ernst & Young PLT who were also present physically. The Chairman also welcomed the Directors and Senior Management of the subsidiaries who joined the 47<sup>th</sup> AGM remotely.

All the resolutions as set out in the Notice of the 47<sup>th</sup> AGM dated 26 August 2020 were conducted by way of poll via electronic means. The Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd, acted as the Poll Administrator and Commercial Quest Sdn Bhd was appointed as the Independent Scrutineer to verify and confirm the results of the poll.

KPMG Management & Risk Consulting Sdn Bhd was appointed as the Moderator for the 47<sup>th</sup> AGM of the Company in line with the advice from the Minority Shareholders Watch Group (“MSWG”) to appoint an independent party to moderate the Q&A session in a fair and impartial manner. The key questions / issues that were raised by the shareholders, which were addressed by the Board / Management are as attached in **Attachment I**.

All the resolutions tabled at the 47<sup>th</sup> AGM of the Company held on 24 September 2020 were voted upon by e-polling and were duly passed by the shareholders. The shareholders also received the Audited Financial Statements of the Company for the financial year ended 31 March 2020 and the Directors’ and Auditors’ Report thereon.

There being no other business, the Chairman concluded the 47<sup>th</sup> AGM and thanked all present for their attendance. The meeting ended at 1.00 p.m. with a vote of thanks to the Chair.

**MNRB Holdings Berhad**  
**AGM Date: Thursday, 24 September 2020**  
**Time: 11.00 am**

**Questions raised during the Virtual Annual General Meeting (“AGM”)**

No	Question	Category	Reply from MNRB
1.	The first quarter results indicated a strong increase in investment income; sharp increase in fair value gain; and lower operating expenses. Are these factors sustainable? Is the increase in investment income arising from the holding high grade debt securities, attributable to the easing of interest rate?	Investment	The fair value gains in bonds were attributable to the impact of low interest rates. Going forward, if there is no more reduction in interest rate, we do not expect further fair value gains from the bonds.
2.	When will the Company provide dividends? Kindly explain the reasons for the relatively low dividend payout ratio of MNRB (against the dividend policy) and the non-provision of final dividend.	Finance	<p>As announced via Bursa on 17 September 2020, the dividend payment will be made on Friday, 23 October 2020.</p> <p>The interim dividend to be paid this year of 3 sen per share is higher than the 2.5 sen per share paid last year. And this year’s interim is fully in cash instead of via Dividend Reinvestment Plan (DRP).</p> <p>Due to regulatory process, the Company was not able to obtain the approval in time to declare a final dividend.</p>

3.	<p>What is the impact on insurance claims as occasioned by the Covid-19 pandemic? How is MNRB planning to navigate its strategic course over the next 24 months?</p> <p>Given that the “Family Takaful” business took a hit during the Movement Control Order (“MCO”) period, has it rebounded to the pre-MCO level?</p>	Finance and Corporate Strategy	<p>For Malaysian Reinsurance Berhad (“Malaysian Re”), the impact is about RM8.1 million for reported loss and RM11.1 million for large loss estimation (excluding Lloyd’s).</p> <p>Takaful Ikhlas General Berhad (“Takaful IKHLAS General”) is not impacted by Covid-19 specific claims due to very few business interruption coverages.</p> <p>Takaful Ikhlas Family Berhad (“Takaful IKHLAS Family”)’s Net Benefit ratio (Claims Ratio) for period ended August 2020 was 43.2% as compared to same period last year which was 50.8%.</p> <p>Family takaful business has not reached pre-MCO level as this would take time to recover although the numbers have started to improve. We are monitoring this closely on a monthly basis.</p>
4.	<p>MNRB has been reporting underwriting losses for the preceding consecutive years including the financial year under review. Kindly explain the reason for the weak underwriting performance and steps to overcome the situation?</p>	Finance	<p>Our subsidiary, Malaysian Re, had been impacted by the catastrophic losses in the past few years. We had balanced out and diversified the portfolio in order to reduce the impact.</p> <p>Although the impact of this strategy was not immediate, however, we could see that the combined ratio had reduced and we are expecting this to continuously improve over time.</p>
5.	<p>What will keep the CEO awake at night in the next 12 months (i.e. what are the issues of concern for MNRB)?</p>	Risk	<p>GCEO’s major concerns, amongst others, were as follows:-</p> <ul style="list-style-type: none"> <li>• How to strengthen the talent development to ensure the business sustainability</li> </ul>

			<ul style="list-style-type: none"> <li>• How we adapt to changes and be flexible (not rigidly follow the old ways of doing works) and agile to the situation,</li> <li>• How to come up with products that can attract and fulfill the needs of customers of different age and backgrounds.</li> </ul> <p>In managing the above concerns, our staff need to make the necessary changes first. For this, we had introduced the High Performance Culture programme in 2018 which embeds the 3 core values in our staff to make us be a high performance company. We continuously make effort to instill the performance driven culture within the Group.</p>
6.	<p>The marketing and promotional expenses increased from RM17.707 million in FY2019 to RM42.296 million in FY2020.</p> <p>Please provide the breakdown on the expenses incurred for FY2020 and the reason(s) for the increase. Will a similar amount of marketing and promotional costs be incurred in FY2021?</p>	Finance	<p>The increase in these expenses was mainly from marketing incentives paid to agents and banks. Increase in marketing incentives was in line with increase in gross contribution.</p> <p>For FY2021, there should be similar expenses incurred for incentives which would be in line with premium/contribution growth.</p>
7.	Will e-vouchers be provided for virtual AGM attendees?	Administrative	No vouchers will be provided for the AGM attendees.
8.	Given that MNRB's share price is trading at a low Price-Earnings ratio, what steps will MNRB take to bring the share price closer to its intrinsic value?	Finance	The share price is controlled by market forces and beyond our control. However, we will continue to build on our operating performance to improve Earnings Per Share.

9.	<p>Referring to Segment Information on Note 33 on page 122 of financial statement, the Takaful Operator business had a net profit margin of 8.6%, return on equity (“ROE”) of 8.6%, and Net Premium Underwritten to Equity ratio of 1x.</p> <p>This is much lower than peers like Syarikat Takaful Malaysia, which has a net profit margin of 15%, ROE of 29% and Net Premium Underwritten to Equity ratio of 1.8x. Why is MNRB’s Takaful segment appearing to be lagging on this front?</p>	Finance	<p>Our capital base for takaful is higher after the capital injection (RM170 million + RM130 million) in late 2018, thus the lower ROE.</p> <p>With the capital injection, the takaful segments have shown improvements in the financial results.</p>
10.	<p>Does MNRB anticipate any changes in the Voluntary Cessation (“VC”) policy in the forthcoming years?</p> <p>Considering that MNRB has the advantage of 2.5% VC rate and controls more than 60% of local reinsurance market share, why MNRB’s combined ratio is still very high at over 90% and this does not seem to reflect MNRB’s moat and economies of scale?</p>	Corporate Strategy	<p>Engagement with BNM is ongoing on VC.</p> <p>The combined ratios of direct companies differ from that of a reinsurer. Whilst we have the VC at 2.5%, we still need to return the cost of acquisition of the direct insurer and top it up with additional overriding commissions. Hence, our combined ratio will naturally rise higher than the market. Our combined ratio is also affected by our international and local non-VC portfolios which make up the remaining 40% of our business. Apart from the above, there is also our own Management Expenses that need to be factored in.</p>
11.	<p>Please disclose the fee to engage Noor Neelofa Mohd Noor to participate in the Facebook live session and justify the engagement rate reached and conversion into sales.</p>	Marketing	<p>MNRB did not engage or pay for Neelofa’s appearance in the Facebook Live session. She was invited as a guest by Amin Idris for his “Amin Idris FB Talk Show”.</p>

12.	Will MNRB consider holding a Fund Managers Briefing Session on a quarterly basis? The shareholding percentage by funds is among the lowest compared to other listed insurance companies. What can be done to increase the liquidity of MNRB's shares?	Investor Relations	We have been having quarterly analysts' briefings to brokers and fund managers and this practice will continue in future as part of our investor relations activities.
13.	Kindly explain the meaning of "Passionate to Perform" on the 2020 Annual Report cover page and what strategies have MNRB taken to materialise this?	Strategy	<p>"Passionate to Perform" reflects our passion and readiness to meet challenges and the next phase of growth.</p> <p>Amongst the initiative is the implementation of the High Performance Culture programme, where we have in place a common corporate vision and inculcate values of Integrity, Collaboration and Expertise in our employees across the Group.</p>
14.	Kindly advise on the new plans to restructure the Takaful IKHLAS Family agency network. Engaging Manulife Agency firms has proven to be a catastrophic disaster based on past record.	Strategy	<p>We are expanding our agency partnerships to grow regular contribution business.</p> <p>At the same time, we are focusing on reactivation programmes for our existing agency force. The strategy would be to improve the active agents ratio and improve productivity, together with enhancing customer experience through digitalization.</p>
15.	Will MNRB consider engaging top insurance sales agents in the future as consultants in building agency networks?	Operational	It is currently part or of our consideration to grow the agency network.

16.	How many MDRT agents are in the Takaful IKHLAS Family currently and does MNRB plan to increase the number of MDRT agents? If yes, what are the plans?	Operational	Currently, we have 1 MDRT agent and we expect to have a few more from our reactivation program.
17.	Etiqa Takaful is a leader in the takaful industry. Can the successful plans by Etiqa Takaful be replicated by Takaful IKHLAS?	Strategy	We cannot comment on Etiqa's strategy. Takaful IKHLAS develops its strategy based on our own objectives and our strengths.
18.	<p>Net earned premiums/contributions from the Reinsurance business increased by RM138.621 million from FY2019 to FY2020. Despite the increase, the Operating Profit Before Tax reduced by RM2.335 million mainly due to the increase in net claims and benefits.</p> <p>What are the reasons for the increase in Net Claims and Benefits? Will MNRB be able to obtain a similar growth trajectory in Net Earned Premiums/ contributions for its Reinsurance Business in FY2021?</p>	Finance	<p>The increase in net claims and benefits for FY2020 is due to the huge increase in the number of large losses for both domestic and overseas business. Included in the claims ratio are reserves that we put in as a prudency measure based on past experience, which we review quarterly, and if the trend improves, then the reserves are released by the actuary.</p> <p>As economy starts to recover and improve, the large losses figure might reduce and the impact will be balanced out through the diversification.</p>
19.	<p>Referring to "Fee and commission income/(expenses)" on Note 8 on page 81 of the Financial Statement</p> <p>1) What is "commission income"?</p> <p>2) Some insurance contracts, agents' commissions are paid over a few years. Will MNRB recognize these commission expenses fully from the beginning?</p>	Finance	<ol style="list-style-type: none"> <li>1. Commission income is the reinsurance/retakaful commission received from retrocession/reinsurance contracts.</li> <li>2. Commissions are recognised as and when incurred and not deferred throughout the contract period. We do not apply Deferred Acquisition Cost (DAC) in our accounting policy.</li> </ol>

	<p>3) What is the impact of MFRS 17 on the company?</p>		<p>3. There will be a change in the pattern and timing of the recognition of the profit and liabilities under MFRS17 compared to MFRS 4, mainly due to the discounting of the liabilities as well as an upfront recognition of any onerous contracts under MFRS17 which are not required under MFRS4.</p> <p>However, the impact of MFRS17, when taken as a whole for the entire duration of the contracts being underwritten would not be materially different from MFRS4.</p>
<p><b>Note: All the questions above were answered during the AGM. As mentioned by MNRB Chairman during the AGM, the remaining unanswered questions below will be addressed via the website.</b></p>			
<p>20.</p>	<p>Premiums ceded to reinsurers/ retakaful" in terms of percentage to "Gross Earned Premiums" is lower at around 12%, compared to the previous year (i.e around 15%).</p> <p>To this end, what are the considerations in deciding the quantum of premium ceded to reinsurers? What are the implications of lower percentage ceded to reinsurers?</p>	<p>Finance</p>	<p>There was a recognition of reinstatement premium for a large loss amounting to RM36 million for SPLY which does not recur in FY2020. Hence the higher percentage for the previous year.</p> <p>We perform a risk return analysis to determine the optimal percentage to retain and cede out to reinsurers, taking into account the risk/claims profiles, capital requirements and other factors. Lower percentage ceded to reinsurers means higher business is retained by the Company, and vice-versa.</p>
<p>21.</p>	<p>Does MNRB have any exposure to recent events such as the big explosion in Beirut, severe floods in East Asia (China, Korea and Japan) and recent US wild fire? What will be the impact to MNRB's financial results?</p>	<p>Operational</p>	<p>Currently, we do not expect the losses to be significant in our books. For floods in China, we have reserved only RM5 million.</p>

22.	How much did MNRB spend for this virtual AGM?	Administrative	The total cost for the virtual AGM was approximately RM60,000.
23.	What is the latest Capital Adequacy Ratio for Malaysian Re, Takaful IKHLAS Family and Takaful IKHLAS General?	Finance	We are unable to disclose this.
24.	What proportion of float is invested in equities? Is compulsory reinsurance cession privilege to MNRB still in place? When will this privilege be withdrawn?	Investment	The equity portion varies with each company and the range invested is between 3% to 7%.  We have been in engagement since early this year with various stakeholders at BNM.
25.	Does MNRB have plans to provide online insurance purchases?	Operations/ Strategy	Currently, we do provide online purchase for motor, householder/houseowner, PA, travel PA via <a href="http://www.takaful-ikhlas.com.my">www.takaful-ikhlas.com.my</a> . We will expand to other classes in future.
26.	How does MNRB foresee the anticipated financial results for financial year 2021 versus 2020?	Finance	Barring any unforeseen circumstances, the Group's profit is expected to be satisfactory for the current financial year ending 31 March 2021.
27.	Will MNRB invest more in the equities market for the forthcoming years?	Investment/ Finance/ Strategy	We will continue to look for opportunities and will remain agile to take advantage of market movement, at the same time keeping long term sustainability in mind.

28.	In this environment of very low interest rates, how does MNRB maximise its investment income?	Investment	We had over the years built up our Bond/ Sukuk portfolio which is the bulk of our assets and will continue to contribute to investment income. We continue to monitor the market closely and investment decisions are made with proper analysis being done. Overall, the lower interest rates will have an impact on investment income.
29.	Please elaborate on the results of the reduction in investment income by asset class. Shouldn't Fixed income asset class be doing well arising from the Overnight Policy Rate ("OPR") reduction as announced by BNM?	Finance/ Investment	<p>We had seen a positive impact from the reduction in OPR where Sukuks (fixed income assets) valued at Fair Value to P&amp;L (FVTPL) recorded high positive gains. For Sukuks and Bonds that are impacted at balance sheet level (not P&amp;L), it would strengthen our net book value.</p> <p>Going forward, the low interest rate environment will have an impact on our investment income as new Sukuk/Bond purchases will have lower income yields.</p> <p>Also, our cash holdings placed in money market will have lower income too due to the lower interest/profit rate environment.</p>
30.	Given that this year represents the last year of MNRB's 3 Years Restructuring plan, have MNRB achieved the intended results?	Strategy	The T20 was a 3-year transformation plan for Malaysian Re ending in FY2020. However, the MNRB Group has a Value Creation Plan (VCP) in place since FY2018 to continue its journey in increasing business growth, profitability and returns to shareholders. This is still in progress and being monitored closely.
31.	The contribution from associate companies continued to be negative for the 2 consecutive financial years which was mainly attributed from Labuan Reinsurance. (page 103 of the AR)	Financial	Labuan Re was impacted by large losses from 2 Japanese typhoons. (Faxai and Hagibis).

	<p>What is reason(s) for the continued poor performance at Labuan Reinsurance? When will this associate company be able to return to profitability?</p>		<p>The negative return was also due to Forex losses from its investments. Total investment balances in RM was approximately RM341 million, revalued at 4.30 ex rate, as compared to the opening ex rate at 4.09.</p>
32.	<p>In view of the current weak economic environment, will there be any change in assumption for valuation of contract that may lead to higher contract liabilities?</p>	<p>Actuarial</p>	<p>For Takaful IKHLAS Family, yes, the economic assumptions are constantly being reviewed to reflect the prevailing risk-free yield curve in line with the regulatory requirements, which can lead to higher contract liabilities. This impact is partially offset by changing asset values (asset liability matching ALM).</p> <p>Other long-term economic assumptions such as long-term investment return assumptions are reviewed periodically taking into account short and long term expectations on the economic outlook.</p> <p>For General Takaful (Takaful IKHLAS General) and General Reinsurance (Malaysian Re), the economic assumption is not a key assumption for actuarial valuation. However, there are some positive correlations between the economic environment and the ultimate claims experience. If the actual experience or any other evidence strongly indicates future claims deterioration, then the actuarial valuation assumptions would be adjusted accordingly.</p>

33.	<p>With regards to the investment income:</p> <p>1) How does MNRB plan to improve its investment yield amidst the low interest rate environment?</p> <p>2) Is the existing investment portfolio good and whether the expected investment income would be sustainable going forward?</p>	Investment	<p>We have been and are continuously exploring locking in the capital gains from Bonds / Sukuks, where possible, without opportunity loss.</p> <p>As mentioned above, the low interest rate environment will have an impact on investment income. Similarly, the decline in the equities market will also have an impact on investment income. Nevertheless, we continue to maintain a prudent approach in investing our assets with the objective of capital preservation and optimising income.</p>
34.	<p>What is the dividend policy going forward for the payout ratio?</p>	Financial	<p>Providing shareholders' returns will continue to be the Board's priority.</p> <p>However, the Board also needs to consider the capital requirements of the subsidiaries as well as the building up of MNRB's sinking fund for debt repayment.</p>
35.	<p>On the partnership with Hong Leong MSIG ("HLMT"), what is the expected contribution per year?</p>	Financial	<p>From the transfer of general takaful business from HLMT, we managed to obtain an exclusive partnership with Hong Leong Islamic Bank for a period of 2 years. The partnership is expected to produce RM24 million over the 2-year period.</p>
36.	<p>The Combined Ratio for Motor and Family Group Takaful businesses have consistently remained above 100%. What are the Management plans to further reduce the combined ratios in order to improve the performance of these 2 business segments?</p>	Financial	<p>For takaful business, the Combined Ratio is not the sole measure for profitability. There are other measurements such as the overall risk fund net surplus position as well as the expense saving ratio at the shareholder fund level which provides a more complete picture of the business. At the fund and Company levels, these are positive for both the businesses.</p>

			<p>The high Combined Ratio for Motor business was partially due to the business growth strain as well as the exclusion of investment income from the Combined Ratio computation.</p> <p>Despite the higher combined ratio for Motor, the general takaful fund still resulted in a surplus at the portfolio level.</p> <p>Nevertheless, we will continue the effort to balance the Motor portfolio and to consider repricing of our Motor product under the detariffication environment.</p> <p>The combined ratio deterioration is due to the claims payable from the risk fund, and to manage the continued strength of the risk fund, Takaful IKHLAS Family has been exercising pricing discipline (being selective on new business for profitability and risk profile) and engaged with retakaful support to improve the quality of business written.</p>
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