Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010

1996A1/lh

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITY

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

CHANGE OF COMPANY NAME

With effect from 15 June 2010, the Company has changed its name from TM Asia Life Malaysia Bhd. to Tokio Marine Life Insurance Malaysia Bhd.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	15,002

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2009 are as follows:

	RM'000
In respect of the financial year ended 31 December 2009, as shown in the Directors' report of that financial year, a gross dividend of 21.34 sen per share, less income tax at 25%, paid on 2 June 2010	16,005

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for the insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM") for insurers.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors of the Company are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability of the Company which has arisen since the end of the financial year.

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

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, except for the changes in accounting policies as disclosed in Note 2.4 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers issued by BNM.

In order to strengthen 'fit' and 'proper' regulations and establish performance incentives and evaluation process for board members and senior management, the Company has set up the following four Committees.

NOMINATION COMMITTEE

<u>Membership</u>

Yeoh Chong Keng (Chairman)	
Yip Jian Lee	
Tan Sri Dato' Dr Yahya Bin Awang	
Lee King Chi Arthur	
Akio Hoshino	(appointed on 21 October 2010)
Eiichi Hiraki	(resigned on 30 June 2010)
Phang Kwang Chee	(resigned on 21 February 2011)

NOMINATION COMMITTEE (CONTINUED)

Responsibilities

The Committee is responsible for:

(a) establishing the minimum requirements for the Board of Directors ("the Board") and the Chief Executive Officer to perform their responsibilities effectively. The Committee shall ensure that the requirements adhere with the guidelines from BNM;

(b) recommending and assessing the nominees for directorship, the Directors to fill the board committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to BNM;

(c) establishing mechanisms for the assessment on the effectiveness of the Board, and the performance of the Chief Executive Officer and key senior officers;

(d) recommending to the Board the removal of Directors, Chief Executive Officer and key senior officers if they are found to be ineffective or negligent in discharging their duties;

(e) overseeing the management succession planning; and

(f) ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

The procedures for appointment and assessment must be approved by the Board and disclosed to the shareholders. The Committee is required to report its recommendations to the Board for decision.

The Committee held three meetings during the financial year which were attended by a majority of the members.

Having assessed the Directors retiring by rotation in respect of compliance with the prescriptive requirements under Insurance Act, 1996 and Insurance Regulations, 1996, as well as their participation on the Board and Board Committees, the Committee recommended the re-appointment of Yip Jian Lee and Akio Hoshino at the 2011 Annual General Meeting.

The Committee is of the view that the current Board comprises persons who as a group provide core competencies necessary to meet the Company's targets.

The Committee evaluates the contribution of each Director to the Company. Assessment parameters include demonstration of integrity, commitment and competence, attendance record at meetings of the Board and Committees, vigour and intensity of participation at meetings and special contributions.

NOMINATION COMMITTEE (CONTINUED)

Responsibilities (continued)

The Committee also evaluates the Board's performance as a whole. The assessment process looks at both quantitative and qualitative criteria, which include review of discussions as reported in minutes of Board and Committee meetings, various financial benchmarks and performance ratios, the structural characteristics of the Board, the combined contributions and competencies of individual Directors and the effectiveness of the Board in monitoring management's performance.

The Committee is of the view that the Board as a whole provided effective policy and strategic direction for the Company and took active participation in monitoring the performance of the management and accordingly, is satisfied with the effectiveness of the Board as a whole.

REMUNERATION COMMITTEE

Membership

Yip Jian Lee (Chairperson)	
Lee King Chi Arthur	
Yeoh Chong Keng	
Akio Hoshino	(appointed on 21 October 2010)
Eiichi Hiraki	(resigned on 30 June 2010)

Responsibilities

The Committee is responsible for:

(a) developing a framework of remuneration for Directors, Chief Executive Officer and key senior officers. The framework should be approved by the Board and any changes are subjected to the approval of the Board and shareholders, if applicable; and

(b) recommending specific remuneration packages for Directors, Chief Executive Officer and key senior officers. The remuneration packages should be based on objective considerations and approved by the Board.

The Committee held one meeting during the financial year which was attended by all members.

DIRECTORS' REPORT (CONTINUED)

AUDIT COMMITTEE

Membership

Yip Jian Lee (Chairperson)
Yeoh Chong Keng
Lee King Chi Arthur
Phang Kwang Chee (resigned on 21 February 2011)

Responsibilities

The Committee is established pursuant to the requirements of BNM's GPI13: Guidelines on Audit Committees and Internal Audit Departments to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to stakeholders, the system of internal controls that the management and the Board of Directors have established and the audit processes. In doing so, the Committee is providing an avenue for external and internal auditors to effectively voice their findings.

The Committee is responsible for:

(a) appointing the external auditor having regarded their independence, nature and scope of audit, as well as approving any provision of non-audit services by them where required;

(b) reviewing the financial statements of the Company, including the discussion of the results and findings arising from the external audits;

(c) considering any related-party transactions that may arise within the Company or Group;

(d) reviewing the adequacy of the scope, functions and resources of internal audit function, including assessing the necessary authority and performance of its members; and

(e) reviewing the internal audit programme and findings of the internal audit process and where necessary, ensuring that appropriate actions are taken on the recommendations of internal audit function.

The Committee held four meetings during the financial year which were attended by a majority of the members.

RISK MANAGEMENT COMMITTEE

Membership

Yeoh Chong Keng (Chairman)	
Yip Jian Lee	
Tan Sri Dato' Dr Yahya Bin Awang	
Lee King Chi Arthur	
Akio Hoshino	(appointed on 21 October 2010)
Eiichi Hiraki	(resigned on 30 June 2010)
Phang Kwang Chee	(resigned on 21 February 2011)

Responsibilities

The Committee is responsible for:

(a) reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;

(b) assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;

(c) ensuring there are adequate infrastructure, resources and systems for an effective risk management to operate; and

(d) reviewing reports from management on risk exposure, risk portfolio composition and risk management activities.

The Committee held four meetings during the financial year which were attended by a majority of the members.

The Committee is supported by the Company's Senior Management, the Risk Management Working Team and the Compliance and Risk Management Department.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Dato' Dr Yahya Bin Awang (Chairman)	
Yeoh Chong Keng	
Yip Jian Lee	
Lee King Chi Arthur	
Akio Hoshino	(appointed on 21 October 2010)
Eiichi Hiraki	(resigned on 30 June 2010)
Phang Kwang Chee	(resigned on 21 February 2011)

In accordance with Article 95 of the Company's Articles of Association, Yip Jian Lee retires at the forthcoming Annual General Meeting, and being eligible, offers herself for re-election.

Akio Hoshino, being a Director appointed after the last Annual General Meeting, retires at the forthcoming Annual General Meeting in accordance with Article 100 of the Company's Articles of Association, and being eligible, offers himself for election.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the particulars of interests of Directors who held office at the end of the financial year in shares in the ultimate holding corporation and related corporations, are as follows:

	Number of ordinary shares			
	At 1.1.2010/ date of appointment	Acquired	Disposed	At 31.12.2010
Tokio Marine Holdings Inc.				
Akio Hoshino	1,500	-	-	1,500
Tokio Marine Life Insurance Singapore Ltd.				
Lee King Chi Arthur *	1	-	-	1
Asia General Holdings Ltd.				
Lee King Chi Arthur *	1	-	-	1

* As nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd.

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in the Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

ULTIMATE HOLDING CORPORATION

The Directors regard Tokio Marine Holdings Inc., a corporation incorporated in Japan, as the Company's ultimate holding corporation.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 March 2011.

YEOH CHONG KENG DIRECTOR	YIP JIAN LEE DIRECTOR

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Yeoh Chong Keng and Yip Jian Lee, two of the Directors of Tokio Marine Life Insurance Malaysia Bhd. (formerly known as TM Asia Life Malaysia Bhd.), state that, in the opinion of the Directors, the financial statements set out on pages 13 to 90 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of its financial performance and cash flows for the financial year ended on that date in accordance with Financial Reporting Standards, being the Malaysian Accounting Standards Board (“MASB”) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, as modified by Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 March 2011.

YEOH CHONG KENG DIRECTOR	YIP JIAN LEE DIRECTOR

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Wong Yuen Ch’ang Kenneth, the officer primarily responsible for the financial management of Tokio Marine Life Insurance Malaysia Bhd. (formerly known as TM Asia Life Malaysia Bhd.), do solemnly and sincerely declare that the financial statements set out on pages 13 to 90 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.

WONG YUEN CH’ANG KENNETH

Subscribed and solemnly declared by the abovenamed Wong Yuen Ch’ang Kenneth at Kuala Lumpur in Malaysia on 24 March 2011, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.

(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)
(Company No. 457556-X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tokio Marine Life Insurance Malaysia Bhd. (formerly known as TM Asia Life Malaysia Bhd.), which comprise the balance sheet as at 31 December 2010, and the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 90.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, being the Malaysian Accounting Standard Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, as modified by Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, the provisions of the Companies Act, 1965 and the Insurance Act, 1996, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(CONTINUED)
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)
(Company No. 457556-X)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, as modified by Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia, the provisions of the Companies Act, 1965 and the Insurance Act, 1996 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No.2656/05/12 (J))
Chartered Accountant

Kuala Lumpur
24 March 2011

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
ASSETS				
Property, plant and equipment	3	49,271	43,724	39,205
Investment properties	4	190,113	185,008	161,237
Intangible assets	5	55,461	1,232	1,042
Financial investments				
Available-for-sale financial assets	6a	2,404,045	1,913,682	1,456,447
Held-for-trading financial assets	6b	691,760	549,650	225,269
Held-to-maturity financial assets	6c	783,418	783,873	850,940
Loans and receivables	6d	582,939	594,839	673,575
Tax recoverable		-	9,315	4,603
Insurance receivables	7	18,157	16,817	13,566
Other receivables	8	14,944	4,259	10,094
Cash and cash equivalents		293,024	331,899	343,361
TOTAL ASSETS		5,083,132	4,434,298	3,779,339
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital	9	100,000	100,000	100,000
Retained earnings	10	74,249	75,252	70,618
Available-for-sale reserve		4,697	4,315	2,990
TOTAL EQUITY		178,946	179,567	173,608
Insurance contract liabilities	11	4,635,542	4,019,649	3,462,685
Insurance payables	12	164,764	133,545	100,149
Other financial liabilities	13	2,674	24,201	3,297
Other payables	14	19,128	18,286	9,360
Provision for staff retirement benefits	15	338	340	300
Agency long association benefits	16	22,053	20,660	19,646
Current tax liabilities		3,752	806	-
Deferred tax liabilities	17	55,935	37,244	10,294
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES		4,904,186	4,254,731	3,605,731
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		5,083,132	4,434,298	3,779,339

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

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Operating revenue	18	902,989	709,719
Gross earned premiums		700,721	526,116
Premiums ceded to reinsurers		(32,302)	(26,063)
Net earned premiums		668,419	500,053
Investment income	19	202,268	183,603
Realised gains and losses	20	19,839	24,965
Fair value gains and losses	21	90,932	105,631
Fee and commission income	22	796	461
Other operating income - net	23	-	987
Other revenue		313,835	315,647
Gross benefits and claims paid		(358,136)	(301,445)
Claims ceded to reinsurers		17,818	15,351
Gross/net change to insurance contract liabilities		(467,182)	(379,699)
Net claims		(807,500)	(665,793)
Commission and agency expenses		(74,348)	(63,941)
Management expenses	24	(55,765)	(41,553)
Other operating expenses – net	23	(179)	-
Other expenses		(130,292)	(105,494)
Profit before taxation		44,462	44,413
Taxation	25	(29,460)	(27,201)
Net profit for the financial year		15,002	17,212
Basic earnings per share (sen)	26	15.00	17.21

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

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Net profit for the financial year		15,002	17,212
Other comprehensive income:			
Available-for-sale reserve			
Net gain arising during the year		4,009	6,283
Net realised gain transferred to statement of income		(3,500)	(3,767)
		509	2,516
Tax effects thereon	17	(127)	(1,191)
		382	1,325
Total comprehensive income for the financial year		15,384	18,537

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

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Issued and fully paid ordinary shares of RM1each		Non-distributable	Distributable	
	Note	Number of shares	Nominal value	Available-for-sale reserve	Retained earnings	Total
		'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2009		100,000	100,000	2,990	70,618	173,608
Total comprehensive income for the financial year		-	-	1,325	17,212	18,537
Dividends paid: - final dividend for the financial year ended 31 December 2008	27	-	-	-	(12,578)	(12,578)
Balance at 31 December 2009		100,000	100,000	4,315	75,252	179,567
Total comprehensive income for the financial year		-	-	382	15,002	15,384
Dividends paid: - final dividend for the financial year ended 31 December 2009	27	-	-	-	(16,005)	(16,005)
Balance at 31 December 2010		100,000	100,000	4,697	74,249	178,946

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

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	15,002	17,212
Investment income	(202,268)	(183,603)
Realised gains recorded in statement of income	(19,446)	(24,937)
Fair value gains recorded in statement of income	(91,372)	(105,879)
Purchase of investment properties	-	(167)
Proceeds from disposal of investment property	6,093	-
Purchase of HFT financial assets	(183,997)	(306,522)
Proceeds from disposal of HFT financial assets	111,107	63,911
Maturity of HFT financial assets	5,000	-
Purchase of AFS financial assets	(497,774)	(550,712)
Proceeds from disposal of AFS financial assets	167,069	251,505
Maturity of AFS financial assets	26,800	59,603
Purchase of HTM financial assets	(65,130)	(55,044)
Maturity of HTM financial assets	69,291	123,750
Decrease in fixed and call deposits	8,950	83,689
Decrease/(increase) in loans	2,985	(4,590)
Non-cash items:		
Depreciation of property, plant and equipment	2,956	2,714
Write-offs of property, plant and equipment	5	23
Gain on disposal of property, plant and equipment	-	(28)
Gain on disposal of investment properties	(393)	-
Reversal of previous deficit of self-occupied properties	-	31
Revaluation deficit of self-occupied properties	-	(38)
Amortisation of intangible assets	6,705	531
Impairment loss of AFS financial assets	440	248
Allowance for impairment of insurance receivables	513	349
Provision for staff retirement benefits	135	40
Provision for agency long association benefits	3,129	3,103
Taxation	29,460	27,201
Changes in working capital:		
Increase in insurance receivables	(1,857)	(3,600)
(Increase)/decrease in other receivables	(11,021)	187
Increase in insurance contract liabilities	467,182	379,699
(Decrease)/increase in other financial liabilities	(21,527)	21,059
Increase in insurance payables	31,219	38,561
Increase in other payables	844	8,926
Cash used in operating activities	(139,900)	(152,778)

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Dividend income received		40,847	28,305
Interest income received		148,942	146,212
Rental income received		5,132	5,365
Staff retirement benefits paid		(137)	-
Agency long association benefits paid		(1,736)	(2,089)
Income tax paid		(11,723)	(20,863)
Net cash inflows from operating activities	37	41,425	4,152
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	85
Purchase of property, plant and equipment		(3,361)	(2,400)
Purchase of intangible assets		(60,934)	(721)
Net cash outflows from investing activities	37	(64,295)	(3,036)
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(16,005)	(12,578)
Net cash outflow from financing activity	37	(16,005)	(12,578)
Net decrease in cash and cash equivalents		(38,875)	(11,462)
Cash and cash equivalents at the beginning of the financial year		331,899	343,361
Cash and cash equivalents at the end of the financial year	37	293,024	331,899
Cash and cash equivalents comprise:			
Cash and bank balances		26,574	40,273
Fixed and call deposits with maturity of less than three months		266,450	291,626
		293,024	331,899

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

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 12C, Jalan Tun H. S. Lee, 50000 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at Ground Floor, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

The holding corporation is Tokio Marine Life Insurance Singapore Ltd. (formerly known as TM Asia Life Singapore), a corporation incorporated in Singapore. The Directors regard Tokio Marine Holdings Inc., a corporation incorporated in Japan, as the Company's ultimate holding corporation.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 March 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, as modified by Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM"), and comply with the provisions of the Companies Act, 1965 and the Insurance Act, 1996, in all material aspects.

At the beginning of the current financial year, the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described in Note 2.4 to the financial statements.

Insurance liabilities have been computed in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework issued by BNM. The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the balance sheet date.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The preparation of financial statements in conformity with the FRS requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2.3 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies

(a) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 income statement during the year in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

Freehold land is not depreciated as it has an infinite life. Depreciation is provided so as to write off the cost of other property, plant and equipment on a straight line basis to allocate their cost to their residual values over the expected useful lives of the assets. The expected useful lives of the assets are as follows:

Motor vehicles	5 years
Office equipment, furniture and fittings	10 years
Computer equipment	4 years
Renovation	10 years
Leasehold land	Lease period ranging from 52 to 914 years
Leasehold buildings	Lease period subject to a maximum of 50 years
Freehold buildings	50 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(d) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(b) Investment properties

Investment properties, comprising principally land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open market value determined by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values. Changes in fair values are recognised in the income statement.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in the income statement in the financial year of the retirement or disposal.

(c) Intangible assets

All intangible assets are stated at cost less accumulated depreciation and impairment losses.

(i) Computer software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially completed and ready for its intended purpose. These costs are amortised over their expected useful life of 4 years on a straight-line basis, with the useful lives being reviewed annually.

The assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

(ii) Exclusive bancassurance agreement

The exclusive bancassurance agreement provides the Company with an exclusive right to the use of the bancassurance network of a bank. The agreement fee is amortised over its useful life of 5 years using the straight line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(d) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may be impaired. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. Recoverable amount is estimated for an individual asset, or, if it is not possible, for the cash-generating unit. Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the income statement immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(e) Financial investments

The Company classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Financial investments (continued)

(i) Financial assets at fair-value-through-profit-and-loss ("FVTPL")

Financial assets at FVTPL include held-for-trading ("HFT") financial assets and those designated at fair-value-through-profit-or-loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

(ii) HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Financial investments (continued)

(iv) AFS financial assets

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired except that for the life business, such fair value gains and losses are reported as a separate component of insurance contract liabilities. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

(f) Fair value of 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 favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(f) Fair value of financial instruments (continued)

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The carrying values of financial assets and financial liabilities with maturity period of less than one year are assumed to approximate their fair values.

(g) Impairment of financial instruments

The Company assesses at each balance sheet date whether there is objective evidence that a security is impaired. A security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the security that can be reliably estimated.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(g) Impairment of financial instruments (continued)

(ii) Assets carried at amortised cost (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(iii) AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to the income statement. Reversals in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

(h) Derecognition of financial assets

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

(i) Insurance contracts

The Company issues contracts that transfer mainly insurance risk.

Insurance risk is the risk other than financial risk. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Such contracts may also transfer financial risk. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk. Currently, the Company does not issue any investment contracts.

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

Insurance contracts are further classified as being either with or without discretionary participation features (“DPF”). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:

(a) performance of a specified pool of contracts or a specified type of contract;
(b) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
(c) the profit or loss of the Company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the surplus must be attributed to the contract holders as a group (which can include future contract holders), while the amount and timing of the distribution to individual contract holders is at the discretion of the Company, approved by the Board of Directors based on the advice of the Appointed Actuary.

(j) Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.2(i) to the financial statements are classified as ceded reinsurance contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(j) Reinsurance (continued)

The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance assets. Amounts 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 Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. An allowance for impairment loss is established using the same method used for all financial assets carried at amortised cost. These processes are described in Note 2.2(g) to the financial statements.

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

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

(k) Life insurance underwriting results

The surplus transferable from the Life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and the RBC Framework, by the Company's Appointed Actuary. The valuation methods of life insurance liabilities in the current and previous financial years are disclosed in Note 2.3(b)(i) to the financial statements.

Premiums

Premium income includes premium recognised in the Life fund and the investment-linked fund.

Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.

Premium income of the Investment-linked fund is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(k) Life insurance underwriting results (continued)

Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the income statement in the financial year in which they are incurred.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Claims and provisions for claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;

(b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and

(c) bonus on DPF policy upon its declaration

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

(l) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(g) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(h) to the financial statements, have been met.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related circulars issued by BNM relevant to the guideline.

The reinsurance recoverable of the liabilities is insignificant and hence is not accounted for in the measurement of the liabilities.

The liability in respect of policies of a participating insurance fund shall be taken as the higher of the guaranteed benefits liabilities or the total benefits liabilities at the fund level (derived in the method as stated in the above paragraph) as stipulated under paragraph 3.2, Appendix VII of the RBC Framework.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originated from margins of adverse deviations on run-off contracts, are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Insurance contract liabilities (continued)

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") and by using an existing liability adequacy test based on the RBC Framework.

Any inadequacy is recorded in the income statement, initially by impairing PVIF, and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

Unallocated surplus

Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surpluses in the non-DPF fund are attributable wholly to the shareholders, and the amount and timing of the distribution to the shareholders is subject to the advice of the Company's Appointed Actuary.

As required by BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28), unallocated surpluses of the DPF and non-DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year, are held within insurance contract liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(n) Other revenue recognition

Interest income on loans is recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest income, including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

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

Gains or losses arising on disposal of investments are credited or charged to the income statement.

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, they are deferred and recognised over those future periods

(o) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(p) Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and include all taxes based upon the taxable profits. The tax expense on the Life fund is based on the method prescribed under the Income Tax Act, 1967 for life insurance business.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

(q) Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(r) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

Defined benefit plan

The Company operates a staff retirement benefit scheme which is an unfunded defined benefit scheme. Provision for retirement benefits is calculated based on the current salaries of eligible staff and the length of their services up to the extent of the Company's contractual liability.

This scheme was withdrawn with effect from 1 January 2000 and replaced by additional contributions to the Employees' Provident Fund. A compound interest of 5% per annum is calculated on the total liability determined at 1 January 2000 for the previous scheme, and the retirement benefit for eligible staff will be paid upon resignation or retirement, whichever is earlier.

Defined contribution plan

The Company's contributions to the Employees' Provident Fund, the national defined contribution plan, are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(s) Agency long association benefits

Agency long association benefit is a defined contribution retirement benefit scheme provided for the Company's agency force. Provision for the benefits is based on the production of agents and interest is credited at the end of the financial year on the outstanding balance before crediting the production for the financial year.

The long association benefit that has been accrued shall become vested and payable upon fulfillment of the following conditions:

- The agency agreement had been in force for at least 10 continuous years;
- The agent has attained the age of 55 years; and
- Only if the agent has resigned or has been terminated for non-production and further does not join another life insurance company before attaining the age of 55.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(t) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

(u) Dividends

Dividends are recognised as liabilities when the obligation to pay is established. No provision is made for a proposed dividend.

(v) Provisions

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

(w) Insurance payables and other payables

Insurance payables and other payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(x) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, and fixed and call deposits with original maturities of three months or less.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgements in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

(b) Key sources of estimation, uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely 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 year are outlined below.

(i) Actuarial liabilities of life policyholders' fund

The principles on which the valuation of the actuarial liabilities of life policyholders' fund were determined by the Appointed Actuary having regard to the statutory requirements determined by BNM.

With effect from 1 January 2009, all insurers licensed under the Insurance Act, 1996 are required to report valuation of the actuarial liabilities based on the RBC Framework. The actuarial valuation was carried out using a prospective cashflow method, known as gross premium valuation method. The policy liabilities are determined first by projecting future cash flows using realistic assumptions and then discounting these cash flow streams at appropriate interest rates. For participating policies, the policy liability includes provision for future payments arising for both guaranteed and non-guaranteed benefits. Additional provision may be required in the valuation assumptions to allow for any adverse deviation from the best estimate experience and to reflect the inherent uncertainty of the best estimate of the actuarial liabilities held.

The Company conducted a sensitivity analysis on the gross premium actuarial liabilities as at 31 December 2010, based on the change in one specific assumption while holding all other assumptions constant as disclosed in the Note 33 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant Accounting Judgements, Estimates and Assumptions (continued)

(b) Key Sources of Estimation Uncertainty and Assumptions (continued)

(ii) Exclusive bancassurance agreement

The Company assesses the impairment of the exclusive bancassurance agreement on an annual basis in accordance with its accounting policy in Note 2.2(c) to the financial statements. The recoverable amount of the capitalised cost is assessed based on its value-in-use. Value-in-use is determined using the present value of estimated future cash flows expected to be generated from future new business. Cash flow projections are based on financial budgets, which are approved by management over its useful life of 5 years. The discount rates applied reflect the respective risk fee interest rate adjusted for the relevant risk factors to the extent not already considered in the underlying cash flows.

(iii) Impairment of AFS

The AFS are considered to the impaired if there has been a significant or prolonged period of decline in fair value below its cost or if there is objective evidence of impairment. The consideration of this requires management's judgement. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. If actual experience differs negatively from the assumptions and other considerations used in the consolidated financial statements, unrealised losses currently in equity may be recognised in the income statement in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in Accounting Policies and Effects Arising from Adoption of New FRSs and BNM Guidelines

The Company has adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2010:

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 101(R) Presentation of Financial Statements
- FRS 117 Leases

Other than enhanced and additional disclosures in the financial statements, there are no significant changes to the accounting policies following the implementation of FRS 4, FRS 7 and FRS 101(R).

The main principles of FRS 139 in relation to the valuation of assets have been addressed by Part D: Valuation of Assets and Liabilities prescribed under the RBC Framework, which the Company had applied in the previous financial year.

Following the adoption of the improvement to FRS 117 Leases, leasehold land, which the Company has substantially all risks and rewards incidental to ownership, has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title was expected to pass to the lessee at the end of the lease term. The following comparative figures as at 31 December 2009 and 1 January 2009 have been restated following the change in accounting policy:

	As previously reported RM'000	FRS 117 classification RM'000	As restated RM'000
31 December 2009			
Property, plant and equipment	40,541	3,183	43,724
Prepaid lease payments	3,183	(3,183)	-
1 January 2009			
Property, plant and equipment	35,764	3,441	39,205
Prepaid lease payments	3,441	(3,441)	-

The effect of the above is only disclosed in the relevant notes affected by the change in accounting policy following the adoption of FRS 117 Leases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Standards, amendments to published standards and interpretations that are issued but not yet effective

(a) Standards, amendments to published standards and interpretations that are applicable to the Company, which the Company has not early adopted, are as follows:

	Effective date
Amendments to FRS 132, Financial Instruments: Presentation – Classification of Right Issues	1 March 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement	1 July 2010
Amendments to FRS 7, Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
Improvements to FRSs	1 January 2011
FRS 124 Related Party Disclosures (revised)	1 January 2012

The adoption of the above revised standards, amendments and interpretations is not expected to have any significant financial impact to the financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Standards, amendments to published standards and interpretations that are issued but not yet effective (continued)

(b) Standards, amendments to published standards and interpretations that are not applicable to the Company are as follows:

	Effective date
FRS 1, First Time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3, Business Combinations (revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
IC Interpretation 12, Service Concession Agreements	1 July 2010
IC Interpretation 16, FRS 2 – Hedges of a Net Investment	1 July 2010
in a Foreign Operation	1 July 2010
IC Interpretation 17, Distribution of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 1, First Time Adoption of Financial Reporting Standards	
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	
- Additional Exemption for First-time Adopters	1 January 2011
Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions	1 January 2011
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15, Agreements for the Construction of Real Estate	1 January 2012
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to IAS 12 Deferred tax – Recovery of Underlying Assets	1 January 2012
Amendments to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	1 January 2012

3 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment, furniture and fittings	Computer equipment	Renovation	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
At 1 January 2010	645	3,351	10,931	9,075	9,010	3,442	21,721	1,672	59,847
Additions	345	505	562	1,949	-	-	-	-	3,361
Disposals/write-offs	-	(73)	(255)	-	-	-	-	-	(328)
Reclassification from investment properties (Note 4)	-	-	-	-	1,560	158	3,691	548	5,957
Reclassification to investment properties (Note 4)	-	-	-	-	(257)	(13)	(530)	(11)	(811)
At 31 December 2010	990	3,783	11,238	11,024	10,313	3,587	24,882	2,209	68,026
Cost	990	3,783	11,238	11,024	-	-	-	-	27,035
Valuation	-	-	-	-	10,313	3,587	24,882	2,209	40,991
At 31 December 2010	990	3,783	11,238	11,024	10,313	3,587	24,882	2,209	68,026

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2010	78	1,285	9,627	4,874	-	259	-	-	16,123
Charge for the financial year (Note 24)	20	337	798	1,112	-	84	579	26	2,956
Reclassification to investment properties (Note 4)	-	-	-	-	-	(1)	-	-	(1)
Disposals/write-offs	-	(74)	(249)	-	-	-	-	-	(323)
At 31 December 2010	98	1,548	10,176	5,986	-	342	579	26	18,755
Net book value									
At 31 December 2010	892	2,235	1,062	5,038	10,313	3,245	24,303	2,183	49,271

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles	Office equipment, furniture and fittings	Computer equipment	Renovation	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
At 1 January 2009	503	2,916	12,088	7,796	6,671	3,612	20,241	1,802	55,629
Additions	142	550	370	1,279	-	-	59	-	2,400
Disposals/write-offs	-	(115)	(1,527)	-	-	-	-	-	(1,642)
Reclassification from accumulated depreciation	-	-	-	-	-	-	(1,388)	(39)	(1,427)
Surplus for the financial year (Note 11)	-	-	-	-	3,011	-	1,601	22	4,634
Reversal of surplus for the financial year (Note 11)	-	-	-	-	-	(228)	(4)	(10)	(242)
Deficit for the financial year (Note 23)	-	-	-	-	(10)		-	(21)	(31)
Reversal of deficit for the financial year (Note 23)	-	-	-	-	-		24	14	38
Reclassification from investment properties (Note 4)	-	-	-	-	133	45	1,506	50	1,734
Reclassification to investment properties (Note 4)	-	-	-	-	(328)	(454)	(318)	(146)	(1,246)
Reclassification	-	-	-	-	(467)	467	-	-	-
At 31 December 2009	645	3,351	10,931	9,075	9,010	3,442	21,721	1,672	59,847

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
Cost	645	3,351	10,931	9,075	-	-	-	-	24,002
Valuation	-	-	-	-	9,010	3,442	21,721	1,672	35,845
At 31 December 2009	645	3,351	10,931	9,075	9,010	3,442	21,721	1,672	59,847
Accumulated depreciation									
At 1 January 2009	51	1,100	10,213	3,920	-	171	941	28	16,424
Charge for the financial year (Note 24)	27	291	871	954	-	89	469	13	2,714
Reclassification to investment properties (Note 4)	-	-	-	-	-	(1)	(22)	(2)	(25)
Reclassification arising from revaluation	-	-	-	-	-	-	(1,388)	(39)	(1,427)
Disposals/write-offs	-	(106)	(1,457)	-	-	-	-	-	(1,563)
At 31 December 2009	78	1,285	9,627	4,874	-	259	-	-	16,123
Net book value									
At 31 December 2009	567	2,066	1,304	4,201	9,010	3,183	21,721	1,672	43,724
At 1 January 2009	452	1,816	1,875	3,876	6,671	3,441	19,300	1,774	39,205

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the property, plant and equipment are assets which are fully depreciated but still in use at cost of RM6,165,000 (31.12.2009: RM6,373,000; 1.1.2009: RM8,048,000).

The net book value of revalued land and buildings, had these assets been carried at cost less accumulated depreciation is as follows:

	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
At 31 December 2010	4,229	1,596	19,090	1,794	26,709
At 31 December 2009	3,864	1,517	16,686	1,724	23,791
At 1 January 2009	4,350	1,685	16,213	1,610	23,858

The self-occupied properties stated at valuation were appraised in 2009 by an independent professional valuer, Raine Horne International Zaki & Partners Sdn. Bhd., at open market value on an existing use basis.

4 INVESTMENT PROPERTIES

	2010 Market value RM'000	2009 Market value RM'000
At the beginning of the financial year	185,008	161,237
Additions	-	167
Disposals	(5,700)	-
Reclassification to property, plant and equipment (Note 3)	(5,957)	(1,734)
Reclassification from property, plant and equipment (Note 3)	811	1,246
Fair value changes for the financial year (Note 21)	15,952	24,117
Reclassification of accumulated depreciation from property, plant and equipment (Note 3)	(1)	(25)
At the end of the financial year	190,113	185,008

The investment properties stated at valuation were appraised in 2010 by an independent professional valuer, Raine Horne International Zaki & Partners Sdn. Bhd., at open market value on an existing use basis.

5 INTANGIBLE ASSETS

	Bancassurance fee	Computer software	Total
	RM'000	RM'000	RM'000
Net book value			
At 1 January 2010	-	1,232	1,232
Addition for the financial year	60,400	534	60,934
Amortisation charged to income statement (Note 24)	(6,040)	(665)	(6,705)
At 31 December 2010	54,360	1,101	55,461
Cost	60,400	2,659	63,059
Accumulated amortisation	(6,040)	(1,558)	(7,598)
At 31 December 2010	54,360	1,101	55,461

	Computer software
	RM'000
Net book value	
At 1 January 2009	1,042
Addition for the financial year	721
Amortisation charged to income statement (Note 24)	(531)
At 31 December 2009	1,232
Cost	2,125
Accumulated amortisation	(893)
At 31 December 2009	1,232

6 FINANCIAL INVESTMENTS

	2010	2009
	RM'000	RM'000
Malaysian Government securities	351,882	245,462
Malaysian Government guaranteed bonds	288,980	201,732
Government Investment Issues	35,841	30,579
Corporate debt securities	1,609,442	1,552,655
Equity securities	1,298,078	967,520
Collective investment schemes	206,580	157,072
Structured investment products	78,184	76,703
Investment linked funds	10,236	15,482
Loans	536,639	539,589
Fixed and call deposits	46,300	55,250
	4,462,162	3,842,044

6 FINANCIAL INVESTMENTS (CONTINUED)

	2010 RM'000	2009 RM'000
The Company's financial investments are summarised by the following categories:		
AFS financial assets	2,404,045	1,913,682
HFT financial assets	691,760	549,650
HTM financial assets	783,418	783,873
Loans and receivables	582,939	594,839
	4,462,162	3,842,044

6a AFS FINANCIAL ASSETS

At fair value:

	2010 RM'000	2009 RM'000
Malaysian Government securities	137,208	96,633
Malaysian Government guaranteed bonds	191,647	104,254
Government Investment Issues	10,361	5,092
Corporate debt securities	1,104,833	959,209
Equity securities	942,838	739,326
Collective investment schemes	37,336	23,660
Investment-linked funds	10,236	15,482
	2,434,459	1,943,656
Allowance for impairment loss	(30,414)	(29,974)
	2,404,045	1,913,682

6b HFT FINANCIAL ASSETS

At fair value:

	2010 RM'000	2009 RM'000
Corporate debt securities	58,678	81,367
Equity securities	385,654	258,168
Collective investment schemes	169,244	133,412
Structured investment products	78,184	76,703
	691,760	549,650

6c HTM FINANCIAL ASSETS

At amortised cost:

	2010 RM'000	2009 RM'000
Malaysian Government securities	214,674	148,829
Malaysian Government guaranteed bonds	97,333	97,478
Government Investment Issues	25,480	25,487
Corporate debt securities	445,931	512,079
	783,418	783,873

6 FINANCIAL INVESTMENTS (CONTINUED)

6c HTM FINANCIAL ASSETS (CONTINUED)

	2010 RM'000	2009 RM'000
At fair value:		
Malaysian Government securities	219,112	147,191
Malaysian Government guaranteed bonds	98,169	94,766
Government Investment Issues	25,522	25,665
Corporate debt securities	457,494	520,286
	800,297	787,908

The fair values of HTM financial assets are their quoted prices on the stock exchanges or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristic.

6d LOANS AND RECEIVABLES

	2010 RM'000	2009 RM'000
At amortised cost:		
Secured:		
Policy loans	534,214	536,769
Mortgage loans	1,896	2,523
Other loans	524	285
Unsecured loans	5	12
Fixed and call deposits	46,300	55,250
	582,939	594,839

The carrying values of loans and receivables approximate the fair values at the balance sheet date.

The maturity structure of fixed and call deposits is as follows:

	2010 RM'000	2009 RM'000
Investments maturing within 12 months	37,301	53,142
Investments maturing after 12 months	545,638	541,697
	582,939	594,839

6 FINANCIAL INVESTMENTS (CONTINUED)

6e CARRYING VALUES OF FINANCIAL INSTRUMENTS

	AFS RM'000	HFT RM'000	HTM RM'000	LAR RM'000	Total RM'000
At 1 January 2009	1,456,447	225,269	850,940	673,575	3,206,231
Purchases	550,712	306,522	55,044	-	912,278
Maturities	(59,603)	-	(123,750)	-	(183,353)
Disposals	(251,505)	(63,911)	-	-	(315,416)
Increase in loans	-	-	-	4,590	4,590
Decrease in fixed and call deposits	-	-	-	(83,689)	(83,689)
Movement of investment income accrued	524	8	(1,169)	363	(274)
Fair value gains recorded in:					
Statement of income (Note 21)	-	81,762	-	-	81,762
Other comprehensive income	6,283	-	-	-	6,283
Insurance contract liabilities (Note 11)	209,562	-	-	-	209,562
Movement in impairment allowance	(248)	-	-	-	(248)
Amortisation adjustment	1,510	-	2,808	-	4,318
At 31 December 2009	1,913,682	549,650	783,873	594,839	3,842,044
Purchases	497,774	183,997	65,130	-	746,901
Maturities	(26,800)	(5,000)	(69,291)	-	(101,091)
Disposals	(167,069)	(111,107)	-	-	(278,176)
Decrease in loans	-	-	-	(2,985)	(2,985)
Decrease in fixed and call deposits	-	-	-	(8,950)	(8,950)
Movement of investment income accrued	1,425	(844)	107	35	723
Fair value gains recorded in:					
Statement of income (Note 21)	-	75,064	356	-	75,420
Other comprehensive income	4,009	-	-	-	4,009
Insurance contract liabilities (Note 11)	177,775	-	-	-	177,775
Movement in impairment allowance	(440)	-	-	-	(440)
Amortisation adjustment	3,689	-	3,243	-	6,932
At 31 December 2010	2,404,045	691,760	783,418	582,939	4,462,162

6 FINANCIAL INVESTMENTS (CONTINUED)

6f FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	AFS RM'000	HFT RM'000	Total RM'000
31 December 2010			
Quoted market price	935,090	632,930	1,568,020
Valuation techniques – market observable inputs	1,464,970	58,830	1,523,800
Valuation techniques – non market observable inputs	3,985	-	3,985
	2,404,045	691,760	3,095,805
31 December 2009			
Quoted market price	837,144	469,012	1,306,156
Valuation techniques – market observable inputs	1,074,292	80,638	1,154,930
Valuation techniques – non market observable inputs	2,246	-	2,246
	1,913,682	549,650	2,463,332

Included in the quoted 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.

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, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

6 FINANCIAL INVESTMENTS (CONTINUED)

For financial instruments that are recorded at fair value with valuation techniques using non-market observable inputs, the potential effect of using reasonable possible alternative assumptions for volatility and credit risk in valuing those instruments would increase the fair value by approximately RM1.1 million.

For financial instruments whose fair value is estimated using valuation techniques with non-market observable inputs, the net unrealised amount recorded in the income statement in the financial year due to changes in inputs was Nil (2009: Nil).

7 INSURANCE RECEIVABLES

	2010 RM'000	2009 RM'000
Due premiums including agents/brokers balances	18,706	16,802
Due from reinsurers and cedants	313	364
	19,019	17,166
Allowance for impairment	(862)	(349)
	18,157	16,817

The carrying values disclosed above approximate the fair values at the balance sheet date, and are receivable within one year.

8 OTHER RECEIVABLES

	2010 RM'000	2009 RM'000
Financial receivables		
Rental income due and accrued	1,877	2,016
Outstanding proceeds from sale of investments	1,570	298
Outstanding proceeds from sale of property	5,484	-
Amount due from holding company	15	50
Deposits	637	951
Others	1,264	178
	10,847	3,493
Other receivables		
Advance payment for purchases	2,735	766
Prepayment of expenses	1,362	-
	4,097	766
Total	14,944	4,259

8 OTHER RECEIVABLES (CONTINUED)

The amount due from holding company is non-interest bearing, unsecured and has no fixed repayment terms.

The carrying values of financial receivables disclosed above approximate the fair values at the balance sheet date, and are receivable within one year.

9 SHARE CAPITAL

	2010		2009	
	No of shares '000	RM'000	No of shares '000	RM'000
Authorised ordinary shares of RM1 each:				
At the beginning and end of the financial year	500,000	500,000	500,000	500,000
Issued and fully paid up ordinary shares of RM1 each:				
At the beginning and end of the financial year	100,000	100,000	100,000	100,000

10 RETAINED EARNINGS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

The Company has sufficient Section 108 balance of RM22.7 million (2009: RM26.9 million) and the tax-exempt account balance of RM0.9 million (2009: RM0.9 million) to frank the payment of dividends out of its entire retained earnings as at 31 December 2010 subject to the agreement of the Inland Revenue Board.

11 INSURANCE CONTRACT LIABILITIES

	2010 Gross/net RM'000	2009 Gross/net RM'000
Life insurance contract liabilities	4,635,542	4,019,649

The life insurance contract liabilities and the movements are further analysed as follows:

	2010 Gross/net RM'000	2009 Gross/net RM'000
Actuarial liabilities	3,067,192	2,594,693
Unallocated surplus	959,972	965,649
Provision for outstanding claims	10,406	10,001
AFS reserve	432,674	283,963
Asset revaluation reserve	12,503	12,503
Net asset value attributable to unitholders	152,795	152,840
	4,635,542	4,019,649

The asset revaluation reserve represents surplus arising from the revaluation of self-occupied properties of the Life fund.

The surplus arising from the revaluation of the Life fund's assets may be distributed by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the addition to revaluation reserve or 10% of the market value of the revalued property, whichever is lower.

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross/net		
	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 January 2010	3,639,648	380,001	4,019,649
Premiums received	517,031	184,111	701,142
Liabilities paid for death, maturities, surrenders, benefits and claims	(289,804)	(68,718)	(358,522)
Net investment income	260,969	12,156	273,125
Benefits and claims experience variation	(5,301)	(6,585)	(11,886)
Fees deducted	(90,433)	(37,129)	(127,562)
Net other income	(10,307)	831	(9,476)
Transfers to shareholders' fund	(11,240)	-	(11,240)
Adjustments due to changes in assumptions:			
Mortality/morbidity	-	(458)	(458)
Lapse and surrender rates	-	-	-
Expenses	-	(10,318)	(10,318)
Discount rate	-	1,987	1,987
Unit fund growth rate	-	-	-
Others	355	265	620
Unallocated surplus	(657)	6,224	5,567
Available-for-sale reserve:			
Fair value gains on AFS financial assets (Note 6)	174,508	3,267	177,775
Fair value changes transferred to statement of income during the financial year	(15,770)	(176)	(15,946)
Net asset value attributable to unitholders	-	13,798	13,798
Movement in provision for outstanding claims	(733)	1,138	405
Deferred tax effects:			
Available-for-sale reserve (Note 17)	(12,870)	(248)	(13,118)
At 31 December 2010	4,155,396	480,146	4,635,542

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

			Gross/net
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
At 1 January 2009	3,187,905	274,780	3,462,685
Premiums received	389,792	136,657	526,449
Liabilities paid for death, maturities, surrenders, benefits and claims	(263,740)	(39,671)	(303,411)
Net investment income	229,984	16,815	246,799
Benefits and claims experience variation	(96,550)	(13,531)	(110,081)
Fees deducted	(80,623)	(23,933)	(104,556)
Net other income	15,085	2,200	17,285
Transfers to shareholders' fund	(9,941)	-	(9,941)
Adjustments due to changes in assumptions:			
Mortality/morbidity	(6,629)	(1,810)	(8,439)
Lapse and surrender rates	807	(908)	(101)
Expenses	(9,692)	5,747	(3,945)
Discount rate	-	(5,326)	(5,326)
Unit fund growth rate	-	(46)	(46)
Others	(1,411)	(1,498)	(2,909)
Unallocated surplus	106,184	13,951	120,135
Available-for-sale reserve:			
Fair value gains on AFS financial assets (Note 6)	209,562	-	209,562
Fair value changes transferred to statement of income during the financial year	(21,170)	-	(21,170)
Asset revaluation reserve:			
Surplus for the financial year (Note 3)	4,634	-	4,634
Reversal of surplus for the financial year (Note 3)	(242)	-	(242)
Net asset value attributable to unitholders	-	15,820	15,820
Movement in provision for outstanding claims	1,211	754	1,965
Deferred tax effects:			
Available-for-sale reserve (Note 17)	(15,167)	-	(15,167)
Asset revaluation reserve (Note 17)	(351)	-	(351)
At 31 December 2009	3,639,648	380,001	4,019,649

12 INSURANCE PAYABLES

	2010 RM'000	2009 RM'000
Due to agents, brokers and insureds	62,744	50,642
Due to reinsurers and cedants	3,306	3,102
Cash bonus and interest outstanding	98,714	79,801
	164,764	133,545

The carrying values disclosed above approximate the fair values at the balance sheet date, and are payable within one year.

13 OTHER FINANCIAL LIABILITIES

	2010 RM'000	2009 RM'000
Outstanding purchases of investment securities	-	21,441
Tenant deposits	2,674	2,760
	2,674	24,201

The carrying values disclosed above approximate the fair values at the balance sheet date, and are payable within one year.

14 OTHER PAYABLES

	2010 RM'000	2009 RM'000
Accrued expenses	7,248	7,776
Other payables	11,880	10,510
	19,128	18,286

The carrying values disclosed above approximate the fair values at the balance sheet date, and are payable within one year.

15 PROVISION FOR STAFF RETIREMENT BENEFITS

	2010 RM'000	2009 RM'000
At 1 January	340	300
Provision during the financial year	135	40
Paid during the financial year	(137)	-
At 31 December	338	340
Payable after 12 months	338	340

The provision for staff retirement benefits of RM337,855 (2009: RM339,693) represents the present value of the unfunded obligation of the Life fund. The provision for the financial year of RM134,663 (2009: RM39,659) is in respect of the current service cost incurred by the Life fund.

16 AGENCY LONG ASSOCIATION BENEFITS

	2010 RM'000	2009 RM'000
At 1 January	20,660	19,646
Provision during the financial year	3,129	3,103
Paid during the financial year	(1,736)	(2,089)
At 31 December	22,053	20,660
Payable within 12 months	2,855	2,730
Payable after 12 months	19,198	17,930
	22,053	20,660

17 DEFERRED TAX LIABILITIES

	2010 RM'000	2009 RM'000
At 1 January	37,244	10,294
Recognised in:		
Statement of income (Note 25)	5,446	10,241
Other comprehensive income	127	1,191
Insurance contract liabilities (Note 11)	13,118	15,518
At 31 December	55,935	37,244

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2010 RM'000	2009 RM'000
Deferred tax liabilities	55,935	37,244

17 DEFERRED TAX LIABILITIES (CONTINUED)

	Property, plant and equipment RM'000	Self-occupied properties RM'000	Investment properties RM'000	Financial investments RM'000	Total RM'000
Deferred tax liabilities/(assets):					
At 1 January 2009	(83)	736	4,008	5,633	10,294
Recognised in:					
Statement of income (Note 25)	135	-	1,932	8,174	10,241
Other comprehensive Income	-	-	-	1,191	1,191
Insurance contract liabilities (Note 11)	-	351	-	15,167	15,518
At 31 December 2009	52	1,087	5,940	30,165	37,244
Recognised in:					
Statement of income (Note 25)	-	-	1,276	4,170	5,446
Other comprehensive Income	-	-	-	127	127
Insurance contract liabilities (Note 11)	-	-	-	13,118	13,118
At 31 December 2010	52	1,087	7,216	47,580	55,935

18 OPERATING REVENUE

	2010 RM'000	2009 RM'000
Gross earned premiums	700,721	526,116
Investment income (Note 19)	202,268	183,603
	902,989	709,719

19 INVESTMENT INCOME

	2010 RM'000	2009 RM'000
Rental income from investment properties	4,585	5,789
HFT financial assets		
Interest	3,905	4,628
Dividend	9,304	4,699
AFS financial assets		
Interest	62,515	54,447
Dividend	31,246	21,526
Accretion of discounts - net	3,689	1,510
HTM financial assets		
Interest	38,335	39,054
Accretion of discounts - net	3,243	2,808
Interest from loans	37,053	37,893
Interest from fixed and call deposits	9,733	11,886
	203,608	184,240
Less: Investment expenses	(1,340)	(637)
	202,268	183,603

20 REALISED GAINS AND LOSSES

	2010 RM'000	2009 RM'000
Realised gains:		
Investment properties	393	-
AFS financial assets		
- Equity securities	16,822	27,587
- Debt securities	2,653	1,062
Property, plant and equipment	-	28
Realised losses:		
AFS financial assets		
- Equity securities	-	(3,596)
- Debt securities	(29)	(116)
	19,839	24,965

21 FAIR VALUE GAINS AND LOSSES

	2010 RM'000	2009 RM'000
Investment properties (Note 4)	15,952	24,117
HFT financial assets (Note 6)	75,064	81,762
Early redemption of HTM financial assets by issuers (Note 6)	356	-
Impairment of AFS financial assets	(440)	(248)
	90,932	105,631

22 FEES AND COMMISSION INCOME

Policyholder administration fees	439	333
Management service charges	357	128
	796	461

23 OTHER OPERATING (EXPENSES)/INCOME - NET

Self-occupied properties		
- reversal of deficit (Note 3)	-	38
- additional revaluation deficit (Note 3)	-	(31)
Write-offs of property, plant and equipment	(5)	(23)
Realised net foreign exchange gain	(56)	388
Others	(118)	615
	(179)	987

24 MANAGEMENT EXPENSES

	2010 RM'000	2009 RM'000
Staff salaries and bonuses	19,916	16,719
Contribution to Employees' Provident Fund	2,704	2,413
Staff retirement benefits	137	40
Others	1,494	901
Staff costs	24,251	20,073
Non-executive Directors		
- fees	186	185
- other remuneration	18	9
Directors' remuneration	204	194
Depreciation of property, plant and equipment (Note 3)	2,956	2,714
Amortisation of intangible assets (Note 5)	6,705	531
Auditors' remuneration		
- statutory audit	218	213
- other audit services	85	85
Impairment of insurance receivables (Note 34)	513	349
Printing and stationery	1,457	1,094
Postage, telephone and telex	957	554
EDP expenses	1,853	1,691
Advertising expenses	6,844	4,937
Rental of properties	258	229
Management fees	1,149	1,242
Training related expenses	1,345	1,023
Others	6,970	6,624
	31,310	21,286
Total	55,765	41,553

The remuneration including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,046,000 (2009: RM409,000).

25 TAXATION

	2010 RM'000	2009 RM'000
Current tax	24,014	16,960
Deferred tax (Note 17)	5,446	10,241
Taxation	29,460	27,201
<u>Current tax</u>		
Current financial year	23,527	17,474
Under/(over)-provision in prior financial years	487	(514)
	24,014	16,960
<u>Deferred tax</u>		
Origination and reversal of temporary differences	5,446	10,241
	29,460	27,201

The explanation of the relationship between taxation, and profit before taxation and change in insurance contract liabilities is as follows:

	2010 RM'000	2009 RM'000
Profit before taxation	44,462	44,413
Tax calculated at the Malaysian tax rate of 25% (2009: 25%)	11,116	11,103
Tax effects of:		
- tax rate differential of 17% in respect to Life Fund	(7,559)	(7,550)
- expenses not deductible for tax purposes	42,284	33,258
- income not subject to tax	(15,968)	(8,522)
- Section 110B credit	(900)	(574)
- under/(over)-provision of tax in prior financial years	487	(514)
	29,460	27,201

25 TAXATION (CONTINUED)

The tax expense of the Life fund is based on the method prescribed under the Income Tax Act, 1967 for the life business, where the income tax in the life fund is calculated at 8% on investment income. The income tax for the Shareholders' fund is calculated based on the tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year. The taxes of the respective funds are disclosed in Note 35 to the financial statements.

In 2008, the Ministry of Finance has gazetted an order on the allowance of income tax set-off /credit for the tax charged on the surplus transferred from the Life fund to the Shareholders' fund with effect from year of assessment 2008 under Section 110B of the Income Tax Act, 1967.

26 BASIC EARNINGS PER SHARE

The earnings per share has been calculated based on the net profit for the financial year of RM15,002,000 (2009: RM17,212,000) and the weighted average number of ordinary shares of the Company in issue during the financial year of 100,000,000 (2009: 100,000,000) shares.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

27 DIVIDENDS

	2010		2009	
	Gross dividend per share	Amount of dividend, net of tax	Gross dividend per share	Amount of dividend, net of tax
	Sen	RM'000	Sen	RM'000
Proposed final dividend for financial year 2008 but recognised in financial year 2009	-	-	16.77	12,578
Proposed final dividend for financial year 2009 but recognised in financial year 2010	21.34	16,005	-	-
	21.34	16,005	16.77	12,578

28 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	2010 RM'000	2009 RM'000
Authorised and contracted for:		
- Property, plant and equipment	1,382	281

29 OPERATING LEASE COMMITMENTS

	2010 RM'000	2009 RM'000
Commitments under non-cancellable operating leases where the Company is a lessee:		
Payable within one year	75	22
Payable after one year	233	28
	308	50
Commitments under non-cancellable operating leases where the Company is a lessor:		
Receivable within one year	7,222	9,872
Receivables after one year	2,876	5,424
	10,098	15,296

30 RELATED PARTY DISCLOSURES

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

	Country of incorporation	Relationship
Tokio Marine Holdings Inc.	Japan	Ultimate holding corporation
Tokio Marine Life Insurance Singapore Ltd. ("TMLIS")	Singapore	Holding corporation
Asia General Asset Berhad ("AGAB")	Malaysia	Subsidiary of ultimate holding corporation
Tokio Marine Asia Pte. Ltd. ("TMAP")	Singapore	Subsidiary of ultimate holding corporation
Tokio Marine Insurans (Malaysia) Berhad ("TMIM")	Malaysia	Subsidiary of ultimate holding corporation
Tokio Marine Asset Management International Pte. Ltd. ("TMAMI")	Singapore	Subsidiary of related parties of TMLIS
Key management personnel	-	Key management personnel includes the Directors, Chief Executive Officer ("CEO") and senior management who report directly to the CEO

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its holding and ultimate holding corporations and other corporations deemed related parties by virtue of them being members of Tokio Marine Holdings Inc. group of corporations.

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

(i) Related party balances

	2010 RM'000	2009 RM'000
Other receivables (Note 8)		
Amount due from AGAB	-	50
Insurance receivables (Note 7)		
Amount due from TMLIS	58	78
Other payables (Note 14)		
Amount due to TMAP	37	-
Financial investments (Note 6)		
Investment in TMAMI's funds	168,989	131,334

30 RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Significant related party transactions

	2010 RM'000	2009 RM
Transactions with TMLIS:		
Reinsurance claim recoveries	-	(119)
Recharge of other expenses incurred	127	-
Dividend paid	16,005	12,578
Transactions with TMAMI:		
Purchase of financial investments	20,493	125,841
Disposal of financial investments	(3,904)	(443)
Transactions with TMIM:		
Office rental received	-	(177)
Management fee received	(357)	(116)
Transactions with TMAP:		
Recharge of other expenses incurred	68	-

(iii) Key management compensation

Salaries and bonuses	3,884	2,645
Directors' remuneration	231	194
Contribution to Employees' Provident Fund	548	375
Other allowances	71	54
Benefits-in-kind	58	62
	4,792	3,330

31 RISK MANAGEMENT FRAMEWORK

The Company being a member of the Tokio Marine Group of Companies takes into consideration the risk management philosophy and business strategy of Tokio Marine when managing the risk of the Company.

The Board of Directors is responsible for the overall establishment, supervision and review of all risk management processes in the Company. The Board of Directors is assisted by the Company's Risk Management Committee in the identification, evaluation and assessment of risks in the Company.

The compositions, functions and the responsibilities of Risk Management Committee are explained in the Directors' Report.

The Company's risk management strategy includes maintaining sound, robust and effective risk management processes which are appropriate to the nature, scale and complexity of the Company's life insurance business to safeguard the interests of Company's shareholders as well as to protect the Company's policyholders' interests. The risks are categorised into broad categories to streamline the risk management processes and are not meant to be restrictive as to the risk identification and evaluation process.

The following are the three broad categories of risks faced by the Company:

A. Business Risks

Business risks arise from the Company's business strategy, the environment in which the Company operates, and its ability to provide suitable products and services to customers. The Company provides insurance protection against risks such as mortality and morbidity risks.

Pricing risks arise with respect to the adequacy of insurance premium rate levels, provisions with respect to insurance liabilities and solvency capital, changes in interest rates, developments in mortality, morbidity, lapses and expenses as well as general market conditions.

Within the business risks, insurance risk has significant impact on business results. The definition and management of insurance risks are explained in Note 33 to the financial statements.

These risks are managed through various risk management techniques. New risks are carefully assessed before they are considered for acceptance.

31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

B. Financial Risks

Financial risks pertain to market risks, which include the Company's exposure to interest rate, currency, equity price and credit risks.

The Company is exposed to market risk arising from its investment in debt securities, equities and properties. Changes in interest rates, foreign exchange rates, and equity prices will impact the financial position of the Company as any reaction to market changes will affect the present and future earnings of the Company for the life insurance operations and shareholders' equity.

The definition and management of financial risks are explained in Note 34 to the financial statements.

C. Operational Risks

Operational risks may arise from inadequate or failed internal processes and controls, poor corporate governance or from external events such as sudden disasters crippling the operations of the Company. Such risks, although difficult to quantify, have the potential to impose significant costs upon, and possibly seriously upset, the financial soundness and ongoing business of the Company. Business continuity risks are the risks of not being able to resume normal business operations in view of disruption which include civil, economic, natural disasters etc. Such risks may cause the Company to be unable to continue business as a going concern due to significant financial losses or the destruction of lives and infrastructures arising from natural disasters. The Company has in place measures to control and minimise the Company's exposure to operational risks.

32 CAPITAL MANAGEMENT

The Company's capital management objective is to maintain a strong capital position with optimum buffer to meet obligations towards policyholders and to comply with the required capital requirements.

A. Investment Management

The investment portfolio of the Company which forms the largest asset pool is managed by an investment team through setting of investment policy and strategic asset allocation. The investment limits are set and monitored at various levels to ensure that all investment activities are within the guidelines set by the local statutory requirements governed by BNM.

B. Regulatory Capital Framework

Regulatory capital is the minimum amount of assets that must be held throughout the financial year to meet statutory solvency requirements governed under the RBC Framework. As part of the statutory requirements, the Company is required to provide its capital position on a quarterly basis to BNM.

The capital structure of the Company, consisting of all funds, as at 31 December 2010, as prescribed under the RBC Framework is provided below:

	Note	2010 RM'000	2009 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	9	100,000	100,000
Reserves, including retained earnings		1,595,915	1,564,808
Tier 2 Capital		449,875	300,782
Amount deducted from capital		(54,360)	-
Total capital available		2,091,430	1,965,590

The Company has met the minimum capital requirements specified in the RBC Framework for the financial year ended 2010 and 2009.

33 INSURANCE RISKS

The risk under any one life insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the estimate. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. A dynamic solvency testing is performed annually to monitor its solvency position.

Concentration of life insurance contract liabilities

The table below shows the concentration of life insurance contract liabilities (comprise actuarial liabilities, unallocated surplus, provision for outstanding claims and net asset value attributable to unitholders) by types of contract:

	Gross/net		
	With DPF	Without DPF	Total
31 December 2010	RM'000	RM'000	RM'000
Whole life	1,164,259	72,865	1,237,124
Endowment	2,551,477	127,170	2,678,647
Term-mortgage	-	156,984	156,984
Term-others	-	64,869	64,869
Medical and health	-	1,000	1,000
Riders	(2,674)	44,007	41,333
Other plans	-	10,408	10,408
Total	3,713,062	477,303	4,190,365

	Gross/net		
	With DPF	Without DPF	Total
31 December 2009	RM'000	RM'000	RM'000
Whole life	1,063,389	64,508	1,127,897
Endowment	2,282,308	80,360	2,362,668
Term-mortgage	-	139,487	139,487
Term-others	-	40,360	40,360
Medical and health	-	1,064	1,064
Riders	(10,490)	45,971	35,481
Other plans	-	16,226	16,226
Total	3,335,207	387,976	3,723,183

There is no annuity business in force as at 31 December 2010 and 31 December 2009.

33 INSURANCE RISKS (CONTINUED)

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. All assumptions are reviewed and updated, if necessary, each financial year in order to value insurance contract liabilities that reflect the Company's experience. The assumptions are required to be on best estimate basis, where actual experience has equal chance of being better or worse than estimated.

(i) Mortality and morbidity

Mortality assumptions used are based on annual investigation into their respective mortality experience over the recent financial years and are expressed as a percentage of a standard mortality table.

The morbidity assumptions for Dread Disease benefits are based on a percentage of the reinsurer's risk premium rates.

(ii) Discount rate

For the participating business, discount rates used to value insurance contract liabilities is determined based on the best estimate investment returns.

To determine the best estimate investment returns, the Company has broken down the assets in the fund as at the reporting date into various asset classes, and has applied long term expected returns to each class. A weighted average rate of investment return is then derived by combining different proportions of the various asset classes.

There are no changes to the discount rate assumptions for participating business.

Contract liabilities for non-participating business and guaranteed liability of the participating business are computed by discounting policy cash flows using risk-free interest rates. The risk-free rates used are derived from the gross yields to redemption of benchmark Government securities as at the date of valuation.

(iii) Lapse and surrender rates

Lapse and surrender assumptions are based on an annual investigation into their respective withdrawal experience over the recent financial years and are expressed as rates of withdrawal, split by duration in-force.

33 INSURANCE RISKS (CONTINUED)

Key assumptions (continued)

The key assumptions used in the valuation of insurance contract liabilities are as follows:

	2010	2009
Mortality	50% of M8388 (Traditional) 35% of M8388 (Investment-linked)	50% of M8388 (Traditional) 35% of M8388 (Investment-linked)
Morbidity	45% of Swiss Re All	45% of Swiss Re All
Discount rate (best estimate)	Par Fund: 5.98% (after tax investment return)	Par Fund: 5.98% (after tax investment return)
Risk-free discount rate	Malaysian Government security as at 31 December 2010 with temporary flexibility	Malaysian Government security as at 31 December 2009 with temporary flexibility
Lapse and surrender rates	Year 1: 10% Year 2: 8% Year 3: 6% Year 4 to 30: 4% Year 30 onwards: 0% (Traditional) Year 1: 10% Year 2: 5% Year 3: 4% Year 4 to 30: 3% Year 30 onwards: 0% (Investment-linked)	Year 1: 10% Year 2: 8% Year 3: 6% Year 4 to 30: 4% Year 30 onwards: 0% (Traditional) Year 1: 10% Year 2: 5% Year 3: 4% Year 4 to 30: 3% Year 30 onwards: 0% (Investment-linked)

33 INSURANCE RISKS (CONTINUED)

Sensitivities

The Company conducted a sensitivity analysis on the actuarial liabilities as at 31 December 2010, based on the change in one specific assumption while holding all other assumptions constant. Sensitivity information will also vary according to the current economic assumptions.

31 December 2010 Variable	Change in variable	Impact on gross/net liabilities RM'000
Worsening of mortality/morbidity	+25%	25,381
Improvement in mortality/morbidity	-25%	(26,109)
Worsening of lapse and surrender rates	+25%	3,521
Improvement in lapse and surrender rates	-25%	(3,936)
Increase in discount rate	100 basis points upward shift	(17,136)
Decrease in discount rate	100 basis points downward shift	20,546

31 December 2009 Variable	Change in variable	Impact on gross/net liabilities RM'000
Worsening of mortality/morbidity	+25%	18,473
Improvement in mortality/morbidity	-25%	(19, 049)
Worsening of lapse and surrender rates	+25%	3,068
Improvement in lapse and surrender rates	-25%	(3,448)
Increase in discount rate	100 basis points upward shift	(12,462)
Decrease in discount rate	100 basis points downward shift	15,123

The impact on profit before tax and equity as at 31 December 2010 is Nil (2009: Nil) as the distribution of surplus is determined by the Appointed Actuary.

The method used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

34 FINANCIAL RISKS

Credit Risk

The Company is exposed to credit risk through investments in cash, money market and debt instruments, lending activities and exposure to counterparty's credit in reinsurance contracts.

For all three types of exposures, financial loss may materialise as a result of default by the borrower or counterparty. For investments in cash, money market and debt instruments, financial loss may also materialise as a result of a default by the issuer on coupon payment or even the principal amount that causes a widening of credit spread or a downgrade of credit rating. The Company has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis by the management.

The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

The Company manages its lending activities by extending loans against collateral pledged to the Company. Regular monitoring and review of the payments of loans are performed by the Company to identify any non-performing loans. Any non-performing loan identified is communicated to the management. Appropriate actions will be taken for the possible course of recovery and provision of these loans.

There were no significant changes to the credit risk management of the Company.

34 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets in accordance with the Company's credit ratings of counterparties:

	Neither past due nor impaired				Past due or impaired	
31 December 2010	Investment grade (AAA to AA2) RM'000	Investment grade (BBB to BBB-) RM'000	Investment grade (BB and below) RM'000	Not rated RM'000	Not rated RM'000	Total RM'000
AFS financial assets						
Equity securities	-	-	-	846,463	113,533	959,996
Debt securities	1,153,671	-	-	290,378	-	1,444,049
HFT financial assets						
Equity securities	-	-	-	633,082	-	633,082
Debt securities	54,037	4,641	-	-	-	58,678
HTM financial assets						
Debt securities	500,089	20,193	-	263,136	-	783,418
Loans and receivables						
Loans	-	-	-	536,639	-	536,639
Fixed and call deposits	46,300	-	-	-	-	46,300
Insurance receivables	-	-	-	15,988	2,169	18,157
Other receivables	-	-	-	10,847	-	10,847
Cash and cash equivalents	293,024	-	-	-	-	293,024
	2,047,121	24,834	-	2,596,533	115,702	4,784,190

34 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

The financial assets are classified according to the credit rating by rating agencies approved by BNM.

The financial assets which are not rated mainly comprise Malaysian Government securities, companies listed on Bursa Malaysia Stock Exchange and loans. The companies were not rated as the issuer did not obtain any credit rating from the respective rating agencies. Such issues although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness is monitored on any downgrade news related to any investment in the debt portfolio.

The Company's loans receivable include policy loans, mortgage loans and other secured loans to staff and policyholders. Policy loans and mortgage loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The fair value of collaterals, held by the Company as lender, for which it is entitled to in the event of default is as follows:

	Type of collaterals	Carrying value RM'000
31 December 2010		
Policy loans	Cash surrender value	534,214
Mortgage loans	Properties	1,896
Secured loans	Computers	524
Unsecured loans	Nil	5
		536,639

As at 31 December 2010, the impairment provision of impaired insurance receivables of RM2.2 million is RM0.86 million (2009: RM0.35 million) and impaired AFS financial assets of RM113.5 million is RM30.4 million (2009: RM29.98 million). Impairment of insurance receivables is performed based on a collective assessment, and made for balances outstanding for more than six (6) months. No collateral is held as security for any impaired assets. The AFS financial assets that is subject to impairment is rigorously assessed as explained under Note 2.3(b)(iii) to the financial statements. The Company records impairment allowance for both insurance receivables and AFS financial assets in separate provision accounts. A reconciliation of the allowance for impairment losses for insurance receivables and AFS financial assets is as follows:

	Insurance receivables		AFS financial assets	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	349	-	29,974	29,726
Charge for the financial year	513	349	440	248
At 31 December	862	349	30,414	29,974

34 FINANCIAL RISKS (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The liquidity demands of the Company are met through ongoing operations which includes continuous premium income and investment income. The expected liquidity needs are often met through projection of outflows from the in-force insurance policy contract liabilities; the liabilities include renewal commissions, claims and other benefits (maturity and surrender). While the nature of these outflows is deemed to be largely stable and can be assumed at outset, the Company remains susceptible to exceptional experiences (surrender or catastrophic events) for its insurance portfolio. Also, the Company may be subject to unexpected liquidity tightening due to adverse implications from the wider economic factors (domestic or global) or undue volatilities and unexpected losses experienced within investments.

Liquidity risk is reduced by having insurance contract liabilities that are well diversified by product and policyholder. The Company designs insurance products to encourage policyholders to maintain their policies-in-force, thereby generating a diversified and stable flow of recurring premium income.

The Company adopts prudent liquidity risk management by monitoring daily liquidity and cash movements to ensure liquidity is available and cash is employed optimally. The Company has cash and cash equivalents of RM293 million as at 31 December 2010 to meet its liquidity requirements.

Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders. Expected liquidity demands are managed through a combination of treasury, investment and capital management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years. Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

34 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

Maturity profiles of financial assets

The table below summarises the maturity profile of the financial assets of the Company:

	Up to 1 year RM'000	1 – 5 year RM'000	Over 5 year RM'000	No maturity date RM'000	Total RM'000
31 December 2010					
AFS financial assets	65,743	341,107	1,037,431	959,764	2,404,045
HFT financial assets	6,713	22,050	30,067	632,930	691,760
HTM financial assets	79,612	200,373	503,433	-	783,418
Loans and receivables	37,301	20,000	-	525,638	582,939
Insurance receivables	18,157	-	-	-	18,157
Other receivables	10,847	-	-	-	10,847
Cash and cash equivalents	293,024	-	-	-	293,024
Total financial assets	511,397	583,530	1,570,931	2,118,332	4,784,190

Maturity profiles of financial liabilities

The table below summarises the maturity profile of the financial liabilities of the Company:

	Up to 1 year RM	1 – 5 year RM	Over 5 year RM	Total RM
31 December 2010				
Insurance contract liabilities*:				
Without DPF	202,974	46,813	227,516	477,303
With DPF	7,240	155,909	3,549,913	3,713,062
Insurance payables	164,764	-	-	164,764
Other financial liabilities	2,674	-	-	2,674
Other payables	19,128	-	-	19,128
Total financial liabilities	396,780	202,722	3,777,429	4,376,931

* Excluding AFS reserve and asset revaluation reserve

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to 1 year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

34 FINANCIAL RISKS (CONTINUED)

Market Risk

(i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's primary transactions are carried out in Ringgit Malaysia (RM). The Company is exposed to foreign exchange risk primarily from transactions denominated in foreign currencies such as Singapore Dollar ("SGD") and others pertaining to investment activities. The management manages foreign currency risk by setting limits and monitoring the exposure to foreign currency on a regular basis.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

Currency risk arising from investments in foreign currency instruments is generally not hedged as the Company's exposure is minimal.

The analysis below summarises the currency exposure of the Company.

31 December 2010				'000
Financial assets	SGD	RM	Others	Total
AFS financial assets	17,484	2,386,561	-	2,404,045
HFT financial assets	-	522,771	168,989	691,760
HTM financial assets	-	783,418	-	783,418
Loans and receivables	-	582,939	-	582,939
Insurance receivables	-	18,157	-	18,157
Other receivables	-	10,847	-	10,847
Cash and cash equivalents	-	293,024	-	293,024
	17,484	4,597,717	168,989	4,784,190
Financial liabilities				
Insurance contract liabilities*:				
Without DPF	-	477,303	-	477,303
With DPF	-	3,713,062	-	3,713,062
Insurance payables	-	164,764	-	164,764
Other financial liabilities	-	2,674	-	2,674
Other payables	-	19,128	-	19,128
	-	4,376,931	-	4,376,931

***** Excluding AFS reserve and asset revaluation reserve

34 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(ii) Interest Rate/Profit Yield 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 rate/profit yield.

A study of movement in risk-free rate is undertaken for the market. A 100 basis point movement in the interest rate market is considered to be reasonable basis for interest rate sensitivity analysis. Investments in debt securities held-to-maturity are excluded as these are accounted for at amortised cost, and their carrying amounts are not sensitive to changes in the level of interest rates.

For investment-linked funds, the risk exposure to the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

The analysis below summarises the Company's sensitivity analysis.

31 December 2010

Change in variables	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
+ 100 basis points	(2,677)	(139)	(214)
- 100 basis points	6,149	139	214

34 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(iii) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment in securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year, and has no significant concentration of price risk.

The analysis below summarises the Company's price risk analysis.

31 December 2010

Market indices		Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000
Bursa Malaysia	+30%	256,311	204,020	-
Bursa Malaysia	-30%	(256,311)	(206,447)	-

35 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996. The Company's balance sheet and statement of income have been further analysed by funds which includes Life Fund, Investment-linked Fund ("ILF") and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Unit-linked products.

Balance Sheet by Funds as at 31 December 2010

	Shareholders' Fund		Life Fund		Investment-linked Fund		Inter-fund Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS										
Property, plant and equipment	-	-	49,271	43,724	-	-	-	-	49,271	43,724
Investment properties	-	-	190,113	185,008	-	-	-	-	190,113	185,008
Intangible assets	18,000	-	37,461	1,232	-	-	-	-	55,461	1,232
Financial investments										
AFS financial assets	123,470	107,119	2,280,575	1,806,563	-	-	-	-	2,404,045	1,913,682
HFT financial assets	-	-	540,574	400,102	151,186	149,548	-	-	691,760	549,650
HTM financial assets	22,682	22,889	760,736	760,984	-	-	-	-	783,418	783,873
Loans and receivables	2,005	2,012	580,934	592,827	-	-	-	-	582,939	594,839
Tax recoverable	-	-	-	8,698	-	617	-	-	-	9,315
Insurance receivables	-	-	18,157	16,817	-	-	-	-	18,157	16,817
Other receivables	8,594	5,192	14,504	4,082	1,354	477	(9,508)	(5,492)	14,944	4,259
Cash and bank balances	7,396	44,441	283,733	284,128	1,895	3,330	-	-	293,024	331,899
TOTAL ASSETS	182,147	181,653	4,756,058	4,104,165	154,435	153,972	(9,508)	(5,492)	5,083,132	4,434,298

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(formerly known as TM Asia Life Malaysia Bhd.)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Balance Sheet by Funds as at 31 December 2010 (continued)

	Shareholders' Fund		Life Fund		Investment-linked Fund		Inter-fund Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES										
Share capital	100,000	100,000	-	-	-	-	-	-	100,000	100,000
Retained earnings	74,249	75,252	-	-	-	-	-	-	74,249	75,252
AFS reserve	4,697	4,315	-	-	-	-	-	-	4,697	4,315
TOTAL EQUITY	178,946	179,567	-	-	-	-	-	-	178,946	179,567
Insurance contract liabilities	-	-	4,482,747	3,866,810	152,795	152,839	-	-	4,635,542	4,019,649
Insurance payables	-	-	164,764	133,545	-	-	-	-	164,764	133,545
Other financial liabilities	-	-	12,182	29,242	-	451	(9,508)	(5,492)	2,674	24,201
Other payables	-	-	19,128	18,285	-	1	-	-	19,128	18,286
Provision for staff retirement benefits	-	-	338	340	-	-	-	-	338	340
Agency long association benefit	-	-	22,053	20,660	-	-	-	-	22,053	20,660
Current tax liabilities	1,761	806	1,603	-	388	-	-	-	3,752	806
Deferred tax liabilities	1,440	1,280	53,243	35,283	1,252	681	-	-	55,935	37,244
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES	3,201	2,086	4,756,058	4,104,165	154,435	153,972	(9,508)	(5,492)	4,904,186	4,254,731

35 INSURANCE FUNDS (CONTINUED)

Balance Sheet by Funds as at 31 December 2010 (continued)

	Shareholders' Fund		Life Fund		Investment-linked Fund		Inter-fund Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES	182,147	181,653	4,756,058	4,104,165	154,435	153,972	(9,508)	(5,492)	5,083,132	4,434,298

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds for the Financial Year Ended 31 December 2010

	Shareholders' Fund		Life Fund		Investment-linked Fund		Inter-fund Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	6,355	6,405	894,245	701,000	2,389	2,314	-	-	902,989	709,719
Gross earned premiums	-	-	700,721	526,116	-	-	-	-	700,721	526,116
Premiums ceded to reinsurers	-	-	(32,302)	(26,063)	-	-	-	-	(32,302)	(26,063)
Net earned premiums	-	-	668,419	500,053	-	-	-	-	668,419	500,053
Investment income	6,355	6,405	193,524	174,884	2,389	2,314	-	-	202,268	183,603
Realised gains and losses	3,500	4,342	16,339	20,623	-	-	-	-	19,839	24,965
Fair value gains and losses	-	2,085	77,201	87,706	13,731	15,840	-	-	90,932	105,631
Fee and commission income	-	-	796	461	-	-	-	-	796	461
Other operating income - net	-	-	-	987	-	-	-	-	-	987
Other revenue	9,855	12,832	287,860	284,661	16,120	18,154	-	-	313,835	315,647

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds for the Financial Year ended 31 December (continued)

	Shareholders' Fund		Life Fund		Investment-linked Fund		Inter-fund Elimination		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gross benefits and claims paid	-	-	(358,540)	(303,411)	-	-	-	-	(358,540)	(303,411)
Claims ceded to reinsurers	-	-	17,818	15,351	-	-	-	-	17,818	15,351
Gross/net change to insurance contract liabilities	-	-	(466,778)	(377,733)	-	-	-	-	(466,778)	(377,733)
Net claims	-	-	(807,500)	(665,793)	-	-	-	-	(807,500)	(665,793)
Commission and agency expenses	-	-	(74,348)	(63,941)	-	-	-	-	(74,348)	(63,941)
Management expenses	(2,013)	(21)	(52,649)	(40,606)	(1,103)	(926)	-	-	(55,765)	(41,553)
Other operating expenses - net	-	-	(184)	-	5	-	-	-	(179)	-
Other expenses	(2,013)	(21)	(127,181)	(104,547)	(1,098)	(926)	-	-	(130,292)	(105,494)
Inter-fund transfer:										
From Life Fund to SHF	11,240	9,942	(11,240)	(9,942)	-	-	-	-	-	-
From ILF to Life Fund	-	-	13,796	15,821	(13,796)	(15,821)	-	-	-	-
Profit before taxation	19,082	22,753	24,154	20,253	1,226	1,407	-	-	44,462	44,413
Taxation	(4,080)	(5,541)	(24,154)	(20,253)	(1,226)	(1,407)	-	-	(29,460)	(27,201)
Net profit for the financial year	15,002	17,212	-	-	-	-	-	-	15,002	17,212

36 INVESTMENT-LINKED FUND

The balance sheet and statement of income of investment-linked fund in Note 35 to the financial statements represent the assets, liabilities and net asset values of Asia Jade Fund (“AJF”), Asia Orient Fund (“AOF”), Asia TriMax Managed Fund (“ATMF”), AsiaPartner Enterprise Fund (“APEF”) and AsiaPartner Bond Fund (“APBF”). The balance sheet of the investment-linked fund is represented by:

	2010	2009
	RM’000	RM’000
UNITHOLDERS’ LIABILITIES		
At the beginning of the financial year	152,839	96,269
Net creation of units	24,370	55,981
Net cancellation of units	(38,213)	(15,231)
Net surplus for the financial year after taxation	13,799	15,820
At the end of the financial year	152,795	152,839

The balance sheet of investment-linked fund in Note 35 to the financial statements has been adjusted for the following assets, liabilities and net asset value of AsiaPartner Managed Fund (“APMF”) which have been eliminated as APMF invested mainly in APEF and APBF during the financial year:

	2010	2009
	RM’000	RM’000
ASSETS		
Investments in other linked funds of insurer	12,976	14,624
Cash and cash equivalents	1	1
	12,977	14,625
LIABILITIES		
Other payables	-	1
NET ASSET VALUE OF APMF	12,977	14,624

36 INVESTMENT-LINKED FUND (CONTINUED)

The statement of income of investment-linked fund in Note 35 to the financial statements has been adjusted for the following income and expenditure of APMF which have been eliminated as APMF invested mainly in APEF and APBF during the financial year:

	2010 RM'000	2009 RM'000
Net asset value of APMF at the beginning of the financial year	14,625	11,301
Net creation of units – included in gross earned premiums	2,011	2,188
Net cancellation of units – included in gross benefits paid	(5,891)	(1,955)
	10,745	11,534
Realised gains on investments	1,219	123
Fair value gain on investments	1,016	2,971
Management expenses:		
Auditors' remuneration	(3)	(3)
Others	-	(1)
Net profit for the financial year	2,232	3,090
Net asset value of APMF at the end of the financial year	12,977	14,624

37 SEGMENT INFORMATION ON CASH FLOWS

	Shareholders' fund RM'000	Life fund RM'000	Investment-linked fund RM'000	Total RM'000
2010				
Cash flows from:				
Operating activities	(1,040)	43,900	(1,435)	41,425
Investing activities	(20,000)	(44,295)	-	(64,295)
Financing activities	(16,005)	-	-	(16,005)
Net decrease in cash and cash equivalents	(37,045)	(395)	(1,435)	(38,875)
Cash and cash equivalents:				
At the beginning of the financial year	44,441	284,128	3,330	331,899
At the end of the financial year	7,396	283,733	1,895	293,024
2009				
Cash flows from:				
Operating activities	29,651	(18,510)	(6,989)	4,152
Investing activities	-	(3,036)	-	(3,036)
Financing activities	(12,578)	-	-	(12,578)
Net increase/(decrease) in cash and cash equivalents	17,073	(21,546)	(6,989)	(11,462)
Cash and cash equivalents:				
At the beginning of the financial year	27,368	305,674	10,319	343,361
At the end of the financial year	44,441	284,128	3,330	331,899