Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2016

Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Group and the Company are principally engaged in the underwriting of all classes of general insurance business. There have been no significant changes in the nature of this activity during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Profit for the year attributable to		
- Owner of the Company	108,755	93,740

DIVIDEND

The Company paid a final dividend amounting to RM68,300,000 (RM0.17 per share) in respect of the previous year on 30 June 2016.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

INSURANCE LIABILITIES

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for 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.

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and 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 Group and 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 Group and 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 Group and the Company that has arisen since the end of the year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Group and the Company that has arisen since the end of the year other than as disclosed in Note 34 to the financial statements.

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

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

There has not arisen in the interval between the end of the 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 Group and the Company for the year in which this report is made.

SHARE CAPITAL

There were no new shares issued by the Group and the Company during the year.

CORPORATE GOVERNANCE

The Group and the Company have in place corporate governance framework and practices which are consistent with the requirement of the policy document on Corporate Governance ("Policy Document"), issued by Bank Negara Malaysia ("BNM") on 3 August 2016 and are continually enhancing the standards of the overall governance of the Company.

1. <u>Board Responsibilities</u>

The Board of Directors (the "Board") has the overall responsibility for promoting sustainable growth and financial soundness of the Group and the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party.

This includes a consideration of the long-term implications of the Board's decisions on the Group and the Company and its customers, officers and the general public. In fulfilling this role, the Board shall:

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

b) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer (CEO), control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Group and the Company;

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

1. Board Responsibilities (continued)

d) promote, together with senior management, a sound corporate culture within the Group and the Company which reinforces ethical, prudent and professional behaviour;

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

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

g) promote timely and effective communication between the Group and Company and relevant regulatory bodies on matters affecting or that may affect the safety and soundness of the Group and the Company.

2. Board Composition

The Board comprises six (6) Independent Directors, two (2) Non-Independent Non-Executive Directors and an Executive director.

Members of the Board	**Status of Directorship**
Dato' Ahmad Fuaad bin Mohd Dahalan	Chairman, Independent
Emeritus Professor Dato' Dr Lian Chin Boon	Independent
Lee King Chi, Arthur	Non-Independent Non-Executive
Yip Jian Lee	Independent
Hajime Tokuda	Executive
Ichiro Maeda *(appointed on 24 May 2016)*	Non-Independent Non-Executive
Dato' Zainal Abidin bin Putih (*appointed on 7 March 2017*)	Independent
Dato' Jagjit Singh a/l Bant Singh (*appointed on 7 March 2017*)	Independent
Yeoh Chong Keng (*appointed on 7 March 2017*)	Independent
Tsutomu Terabayashi (*resigned on 24 May 2016*)	Non-Independent Non-Executive
Teh Boon Eng (*resigned on 7 March 2017*)	Independent

Mr. Lee King Chi, Arthur and Mr. Ichiro Maeda, by virtue of their management positions at the Company's holding company, Tokio Marine Asia Pte.Ltd., are categorised as Executive Directors under the Policy Document. This has resulted in the Board composition not meeting the requirement stated therein for the number of Executive Directors not to exceed the maximum of one (1). Actions are being taken by the Company to address this issue before the given deadline of 3 August 2019.

The current Board members comprise individuals from diverse backgrounds and qualifications and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company.

None of the Directors hold any share in the Company.

The profiles of the Directors are stated under the section "Directors' Profiles".

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

3. Board meetings

During the financial year, the Board met six (6) times to deliberate and consider a variety of significant matters that required its guidance and approval.

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Dato' Ahmad Fuaad bin Mohd Dahalan	6	6
Emeritus Professor Dato' Dr Lian Chin Boon	6	6
Lee King Chi, Arthur	6	6
Yip Jian Lee	6	6
Hajime Tokuda	6	6
Ichiro Maeda *(appointed on 24 May 2016)*	6	4
Dato' Zainal Abidin bin Putih *(appointed on 7 March 2017)*	6	N/A
Dato' Jagjit Singh a/l Bant Singh *(appointed on 7 March 2017)*	6	N/A
Yeoh Chong Keng *(appointed on 7 March 2017)*	6	N/A
Tsutomu Terabayashi *(resigned on 24 May 2016)*	6	2
Teh Boon Eng *(resigned on 7 March 2017)*	6	6

The Directors have complied with the required minimum meeting attendance ratio of 75%, except for Mr. Ichiro Maeda and Mr. Tsutomu Terabayashi who was appointed and resigned respectively from the Board on 24 May 2016.

4. Board Orientation and Training

Newly appointed Directors will be apprised of their statutory duties and obligations and will receive an In-House Orientation and Education Programme which includes presentations by the members of the senior management. On an on-going basis, the Company organised in-house trainings for the Directors to share the latest developments affecting the general insurance industry and the Company, amongst others, topics related to new legislations.

The Company encourages continuous professional development for the benefit of the Directors. Directors are also updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company had made available resources for Directors to receive knowledge in any area of interest.

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles

Dato' Ahmad Fuaad Bin Mohd Dahalan
Independent Chairman
67 Male, Malaysian

Date of First Appointment: 6 June 2008
Date of Re-appointment in the financial year: Not applicable

Membership of Board Committee:
- Member of Nominating Committee
- Member of Remuneration Committee
- Member of Risk Management Committee
- Member of Audit Committee

Dato' Ahmad Fuaad graduated from the University of Malaya with a Bachelor of Arts (Hons) degree. He was attached to Wisma Putra, Ministry of Foreign Affairs as a Civil Service Officer in April 1973 prior to joining Malaysia Airlines in July 1973.

Whilst at Malaysia Airlines, Dato' Ahmad Fuaad served in various positions and his last position was as the Managing Director.

Currently Dato' Ahmad Fuaad is a director of Hong Leong Capital Berhad, YTL e-Solutions Berhad and Pintar Projek Sdn Bhd.

In 2016, Dato' Ahmad Fuaad attended the training on "Amendments to Bursa Listing Requirements – How to Rise Up and Meet Those Challenges".

Teh Boon Eng
Independent Director
64 Male, Malaysian

Date of First Appointment: 7 March 2006
Date of Re-appointment in the financial year: Not applicable

Membership of Board Committee:
- Chairman of Nominating Committee
- Chairman of Remuneration Committee
- Chairman of Risk Management Committee
- Chairman of Audit Committee

Mr Teh holds an LLB (Hons) degree from University of Malaya. Mr Teh is an Advocate and Solicitor by profession and is the sole proprietor of Teh & Associates.

Mr Teh resigned from the Company's Board on 7 March 2017.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Directors’ Profiles (continued)

Emeritus Professor Dato’ Dr Lian Chin Boon
Independent Director
70 Male, Malaysian

Date of First Appointment:	18 September 2006
Date of Re-appointment in the financial year:	Not applicable

Membership of Board Committee:
- Member of Audit Committee

Dato’ Dr Lian has been awarded with many academic achievements such as Fellowship in Dental Surgery of the Royal College of Surgeons of Edinburgh and Fellowship in Dental Surgery of the Royal College of Physicians & Surgeons of Glasgow.

Dato’ Dr Lian currently serves on the board of University of Malaya, is the Chairman of University Malaya Medical Centre and the President of College of Dental Specialists Academy of Medicine Malaysia. He is also a Fellow of the Academy of Science Malaysia, Fellow of the Academy of Medicine Singapore (Honorary), Vice President of the Spastic Children of Selangor & Wilayah Persekutuan and Board of Trustees of the Alzheimer Disease Foundation.

In 2016, Dato’ Dr Lian attended the course on “Industry Briefing on Directors Register Implementation” and “1st Distinguished Board Leadership Series – Cyber Risk Oversight”.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles (continued)

Yip Jian Lee
Independent Director
62 Female, Malaysian

Date of First Appointment: 1 March 2013
Date of Re-appointment in the financial year: 29 February 2016

Membership of Board Committee:
- Chairman of Audit Committee
- Chairman of Remuneration Committee
- Member of Risk Management Committee
- Member of Nominating Committee

Ms Yip qualified as a Chartered Accountant with the Institute of Chartered Accountants, England & Wales in 1981, and is a member of the Malaysian Institute of Accountants since 1984. She completed her articleship with Hays Allan, United Kingdom between 1977 and 1982.

Ms Yip has worked with PricewaterHouse Tax Services Sdn Bhd and Hong Leong Assurance Berhad in the areas of taxation, accounting and administration. She subsequently joined the Institute of Bankers Malaysia in 1985 as its Director where she served for 15 years.

Ms Yip had served as a Trustee and Honorary Treasurer of World Wildlife Fund Malaysia for the maximum term of 12 years from 1996 to 2009. Between 1986 and 1996, she was the Honorary Secretary to the Malaysian-British Society, an association to further promote bilateral relationship between the two countries. She had also served on the boards of Tokio Marine Life Insurance Malaysia Berhad, Carimin Berhad and Professional Golf of Malaysia.

Currently, Ms Yip is a nominee director for Permodalan Nasional Berhad (PNB), representing PNB on the boards of NCB Holdings Berhad, Kontena Nasional Berhad and KN Global Transport Sdn Bhd.

In 2016, Ms Yip attended the course on “Overview on the Amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad”, “Emerging Trends in the Global Insurance Landscape” and “Developments in the Malaysian Landscape (Regulatory Developments and New Accounting Standards)”.

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles (continued)

Lee King Chi, Arthur
Non-Independent Non-Executive Director
57 Male, Singaporean

Date of First Appointment:	12 April 2010
Date of Re-appointment in the financial year:	12 April 2016

Membership of Board Committee:
- Member of Nominating Committee
- Member of Remuneration Committee

Mr. Lee is the Chief Executive and member of the Board of Tokio Marine Asia Pte. Ltd, the Company's holding company currently situated in Singapore. He is also the Executive Officer of Tokio Marine Holdings, Inc., Japan.

Mr. Lee holds a Juris Doctorate and he was awarded the Public Service Medal by the President of Singapore in August 2008.

Currently, Mr Lee also serves on the various boards of the Tokio Marine Group, namely Tokio Marine and Fire Insurance Company (Hong Kong) Ltd, Tokio Marine Asset Management International Pte. Ltd, Tokio Marine Life Insurance Singapore, Tokio Marine Life Insurance Malaysia, Malayan Insurance Co., Inc. , IFFCO-TOKIO General Insurance Co. Ltd., Edelweiss Tokio Life Insurance Company Limited, Tokio Marine Life Insurance (Thailand) PCL., Asia General Holdings, Tokio Marine General Assets Pte Ltd and Asia General Assets Bhd.

In 2016, Mr Lee attended the training on "TMLS Board Cyber Security".

Ichiro Maeda
Non-Independent Non-Executive Director
59 Male, Japanese

Date of First Appointment:	24 May 2016
Date of Re-appointment in the financial year:	Not applicable

Membership of Board Committee:
- Member of Nominating Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

Mr Maeda holds a degree in Bachelor of Commerce from the Waseda University, Japan.

Mr Maeda was seconded from Tokio Marine & Nichido Fire Insurance Co., Ltd. as the Managing Director of Tokio Marine Asia Pte Ltd to head the Japanese Business Development in Asia-Pacific Region.

In 2016, Mr Maeda attended the course on "Emerging Trends in the Global Insurance Landscape" and "Developments in the Malaysian Landscape (Regulatory Developments and New Accounting Standards)".

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles (continued)

Tsutomu Terabayashi
Executive Director
57 Male, Japanese

Date of First Appointment:	14 August 2013
Date of Reappointment in the financial year:	Not applicable

Membership of Board Committee:
- Member of Nominating Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

Mr Terabayashi graduated from Waseda University, Japan with a Bachelor in Economics.

Mr Terabayashi joined The Tokio Marine & Fire Insurance Co Ltd, Japan in 1982 and has been with the Tokio Marine Group for the past 35 years holding various positions in Japan, Thailand, US and Singapore where he was appointed as the Managing Director of Tokio Marine Asia Pte Ltd in 2013.

Mr Terabayashi resigned from the Board on 24 May 2016.

Hajime Tokuda
Executive Director
51 Male, Japanese

Date of First Appointment:	11 July 2013
Date of Re-appointment in the financial year:	12 July 2016

Mr Tokuda graduated from Keio University, Japan with a Bachelor in Economics.

Mr Tokuda joined The Tokio Marine & Fire Insurance Co Ltd, Japan in 1988 and has been with the Tokio Marine Group for the past 25 years holding various positions in Japan, USA and Hong Kong.

Prior to his current appointment in Malaysia, Mr Tokuda was the Managing Director of Tokio Marine and Fire Insurance Company (Hong Kong) Ltd. since 2008.

In 2016, Mr Tokuda attended the course on “Emerging Trends in the Global Insurance Landscape” and “Developments in the Malaysian Landscape (Regulatory Developments and New Accounting Standards)”.

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles (continued)

Dato' Zainal Abidin Bin Putih
Independent Director
71 Male, Malaysian

Date of First Appointment:	7 March 2017
Date of Re-appointment in the financial year:	Not applicable

Membership of Board Committee:

- Member of Audit Committee
- Member of Nominating Committee
- Member of Remuneration Committee

Dato' Zainal Abidin is a qualified Chartered Accountant from the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Dato' Zainal Abidin has extensive experience in audit, having worked as a practicing accountant throughout his career covering many principal industries including banks, insurance, energy, transport, manufacturing, government agencies, plantations, properties, hotels, investment companies and unit trusts. He has good working knowledge on taxation matters and management consultancy, especially in the areas of acquisitions, takeovers, amalgamations, restructuring and public listing of companies.

Dato' Zainal Abidin had held positions as the Chairman of Pengurusan Danaharta Nasional Berhad, Adviser with Ernst & Young Malaysia and Country Managing Partner of Hanafiah Raslan & Mohamad. He was also Past President of the Malaysian Institute of Certified Public Accountants, the Malaysian Accounting Standards Board (MASB) and previously a member of the Malaysian Communication and Multimedia Commission.

Dato' Zainal Abidin is currently Chairman of CIMB Bank Berhad. He also sits on the boards of several Public Listed Companies and Private Limited Companies and a trustee of the National Heart Institute Foundation and Perdana Leadership Foundation.

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles (continued)

Dato' Jagjit Singh a/l Bant Singh
Independent Director
61 Male, Malaysian

Date of First Appointment: 7 March 2017
Date of Re-appointment in the financial year: Not applicable

Membership of Board Committee:

- Member of Audit Committee
- Member of Risk Management Committee

Dato' Jagjit Singh holds a Bachelor of Law (LLB Hons) and Master of Law (LLM) from the King's College, University of London. He was called to the Malaysian Bar in September 2001 and was awarded Kesatria Mangku Negara (KMN) in 2008, Setia Mahkota Pahang (SMP) in 2010 and Darjah Indera Mahkota Pahang (DIMP) in 2011.

Dato' Jagjit Singh was a former Judge and has served the Malaysian Judicial and Legal Service for 28 years in various positions including that of a Senior Federal Counsel, Deputy Treasury Solicitor, Legal Advisor to the Ministry of Health, Deputy Public Prosecutor and Senior Assistant Parliamentary Draftsman.

In the corporate sector, Dato' Jagjit Singh is famous for his landmark decision in Public Prosecutor v. Chin Keem Feung & Anor [2014] 4 CLJ 62, where in convicting and sentencing the accused, he decided that Independent Directors also owe duties and responsibilities to the company.

Dato' Jagjit Singh has authored, 'The Practical Approach to the Enforcement of Intellectual Property Rights' and co-authored 'Civil Trials Guidebook'.

Currently, he practises as an Advocate and Solicitor and is a Partner in Jagjit Ariff & Co.

CORPORATE GOVERNANCE (CONTINUED)

Directors' Profiles (continued)

Yeoh Chong Keng
Independent Director
65 Male, Malaysian

Date of First Appointment: 7 March 2017
Date of Re-appointment in the financial year: Not applicable

Membership of Board Committee:

- Chairman of Risk Management Committee
- Chairman of Nominating Committee
- Member of Audit Committee
- Member of Remuneration Committee

Mr Yeoh is a lawyer by profession and was admitted in 1980 as an Utter Barrister, Lincoln's Inn, Bar of England and Wales. He was admitted as an Advocate & Solicitor of the High Court of Malaya in 1981. Prior to studying law, he served with distinction as a senior officer in the Royal Malaysia Police Force.

He is an experienced litigator specializing in land, commercial / corporate and banking litigation and has represented corporations and financial institutions in the High Court, Court of Appeal and Federal Court.

He has considerable experience and knowledge in corporate work involving listing, restructuring, takeovers and reverse takeovers, management buy-out, boardroom strategy and company related matters. He is familiar and conversant with corporate, securities and banking laws and related government and fiscal policies and approvals. He acts as legal advisor and counsel for numerous local and international corporations of several public-listed companies and foreign owned companies in Malaysia.

He assisted the three member special committee of Inquiry led by the Auditor General of Malaysia which investigated the Bumiputera Malaysia Finance scandal in Hong Kong. He also acted as counsel for the Government of Hong Kong in several cases in Malaysia relating to matters of financial impropriety involving Bumiputera Malaysia Finance and Ka Wah Bank.

He is a registered trademark agent with the Malaysian Register of Trademarks Agents. He is also a Notary Public and Commissioner for Oaths and is a qualified mediator on the panel of the Malaysian Mediation Centre, Bar Council Malaysia and that of LEADR, Australia. He is an appointed member of the Disciplinary Committee under the Disciplinary Board, Bar Council of Malaysia.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees

In compliance with the Policy Document, the Board of Directors ("the Board") established four Board committees operating on the terms of reference approved by the Board, to assist the Board in the execution of its responsibilities.

These Board Committees shall have the authorities to examine particular issues and report to the Board with their observations and recommendations. The ultimate responsibility for the decision on all matters, however, lies with the entire Board.

a) Risk Management Committee

The Risk Management Committee (RMC) supports the Board in the overall risk management oversight of the Company in ensuring the effectiveness and adequacy of the risk management processes and practices put in place by Group and the Company.

The main responsibilities of the RMC are to recommend a robust risk management framework in terms of strategies, policies and risk tolerance, for the Board's approval as well as to provide an overall assessment on the adequacy of the Group and the Company's risk reporting infrastructure, which includes resources and support system, in promoting a pro-active risk management culture.

The Risk Management Committee comprises the following Directors:-

Yeoh Chong Keng – Chairman, Independent Director *(appointed on 7 March 2017)*
Teh Boon Eng – former Chairman, Independent Director *(resigned on 7 March 2017)*
Dato' Ahmad Fuaad Bin Mohd Dahalan – Independent Director
Ichiro Maeda – Non-Independent Non-Executive Director *(appointed on 24 May 2016)*
Yip Jian Lee – Independent Director *(appointed on 7 March 2017)*
Dato' Jagjit Singh a/l Bant Singh – Independent Director *(appointed on 7 March 2017)*
Tsutomu Terabayashi – Non-Independent Non-Executive Director *(resigned on 24 May 2016)*

Name of Directors	No. of RMC Meetings Held	No. of RMC Meetings Attended
Yeoh Chong Keng	4	N/A
Dato' Ahmad Fuaad bin Mohd Dahalan	4	4
Ichiro Maeda	4	3
Yip Jian Lee	4	N/A
Dato' Jagjit Singh a/l Bant Singh	4	N/A
Tsutomu Terabayashi	4	1
Teh Boon Eng	4	4

Mr. Ichiro Maeda and Mr.Tsutomo Terabayashi did not fully attend the meetings due to their short tenure on the Board and the RMC during the financial year whilst Mr. Yeoh Chong Keng, Ms. Yip Jian Lee and Dato' Jagjit Singh a/l Bant Singh were only appointed to the RMC on 7 March 2017.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

b) Audit Committee

The main responsibility of the Audit Committee (AC) is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Group and the Company as well as ensuring the effectiveness of the internal controls instituted by the Management. The Audit Committee functions on a Terms of Reference approved by the Board of Directors, with the following principal duties and responsibilities:

i. to review and approve the external and internal auditors' audit plan, scope and audit report on their evaluation of the system of internal controls of the Group and the Company;
ii. to review the results of the audit and whether or not appropriate action has been taken on the recommendations given by the external and internal auditors;
iii. to evaluate the quality of the audits performed by the external auditors and make recommendations concerning their appointments, termination and remuneration, and to consider the nomination of a person or persons as external auditors;
iv. to provide assurance that the financial information presented by management is relevant, reliable and timely;
v. to oversee compliance with relevant laws and regulations and observance of a proper code of conduct and
vi. to determine the quality, adequacy and effectiveness of the Group and the Company's internal control environment.

The remuneration paid and payable to the external auditors for the financial year ended 31 December 2016 was RM351,030 (2015: RM332,250).

The Audit Committee comprises the following Directors, all of whom are Independent Directors:

Yip Jian Lee – Chairman *(appointed as Chairman on 7 March 2017)*
Teh Boon Eng – former Chairman *(resigned on 7 March 2017)*
Emeritus Professor Dato' Dr Lian Chin Boon
Dato' Ahmad Fuaad Bin Mohd Dahalan
Dato' Zainal Abidin bin Putih *(appointed on 7 March 2017)*
Dato' Jagjit Singh a/l Bant Singh *(appointed on 7 March 2017)*
Yeoh Chong Keng *(appointed on 7 March 2017)*

Name of Directors	No. of AC Meetings Held	No. of AC Meetings Attended
Yip Jian Lee	6	6
Teh Boon Eng	6	6
Emeritus Professor Dato' Dr Lian Chin Boon	6	6
Dato' Ahmad Fuaad bin Mohd Dahalan	6	6
Dato' Zainal Abidin bin Putih	6	N/A
Dato' Jagjit Singh a/l Bant Singh	6	N/A
Yeoh Chong Keng	6	N/A

Dato' Zainal Abidin bin Putih, Mr. Yeoh Chong Keng and Dato' Jagjit Singh a/l Bant Singh were only appointed to the AC on 7 March 2017.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

c) Nominating Committee

The Nominating Committee (NC) is entrusted with the responsibility of proposing new nominees for appointment to the Board to ensure that nominations of new Directors are made in the best interest of the Company and its shareholders. It assesses the suitability of the new nominees, by taking into consideration their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company with potential to complement the skills, knowledge and expertise of the Board.

The NC also makes recommendations to the Board on nominations to fill up Board Committees and the re-appointment of Directors to the Board. In considering the re-appointment, the NC will take into account the director’s attendance and participation at meetings, their expertise and commitment, as well as their contributions at Board discussions and effectiveness of the Board.

Apart from recommending the appointment/re-appointment of new/existing Directors, the NC is also responsible to recommend and assess the nominee for the position of CEO and the re-appointment of CEO. The NC also oversee the appointment and management succession planning of the Executive Committee of the Company.

On an annual basis, the NC reviews the Board’s structure, size and composition and makes recommendations to the Board with regards to any changes that are deemed necessary.

The Board’s profile is reviewed on an annual basis, considering the current needs and aspirations of the Company. No Director was involved in the assessment of his own contribution to the effectiveness of the overall Board.

The NC is responsible to oversee performance evaluation of the CEO and Executive Committee members. Whenever applicable and consistent with the Policy Document, the NC’s recommendations on the CEO and Executive Committee members would be made in consultation with the input from the Chairman of the Audit Committee and Risk Management Committee.

The NC is also responsible to ensure all Key Responsible Persons (KRPs) fulfil the fit and proper requirements in line with the KRP policy.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

c) Nominating Committee (continued)

The Nominating Committee comprises the following Directors:-

Yeoh Chong Keng – Chairman, Independent Director *(appointed on 7 March 2017)*
Teh Boon Eng – former Chairman, Independent Director *(resigned on 7 March 2017)*
Dato’ Ahmad Fuaad bin Mohd Dahalan – Independent Director
Lee King Chi, Arthur – Non-Independent Non-Executive Director
Hajime Tokuda – Executive Director
Ichiro Maeda – Non-Independent Non-Executive Director *(appointed on 24 May 2016)*
Dato’ Zainal Abidin bin Putih – Independent Director *(appointed on 7 March 2017)*
Yip Jian Lee – Independent Director *(appointed on 7 March 2017)*
Tsutomu Terabayashi – Non-Independent Non-Executive Director *(resigned on 24 May 2016)*

Name of Directors	No. of NC Meetings Held	No. of NC Meetings Attended
Yeoh Chong Keng	4	N/A
Teh Boon Eng	4	4
Dato’ Ahmad Fuaad bin Mohd Dahalan	4	4
Lee King Chi, Arthur	4	4
Hajime Tokuda	4	4
Ichiro Maeda	4	3
Dato’ Zainal Abidin bin Putih	4	N/A
Yip Jian Lee	4	N/A
Tsutomu Terabayashi	4	2

All Directors fully attended the meetings except for Mr. Ichiro Maeda and Mr. Tsutomu Terabayashi who was appointed and resigned respectively on 24 May 2016 and Mr. Yeoh Chong Keng, Dato’ Zainal Abidin bin Putih and Ms. Yip Jian Lee who were only appointed to the Nominating Committee on 7 March 2017.

d) Remuneration Committee

The main responsibilities of the Remuneration Committee (RC) are to establish and recommend to the Board, the remuneration structure and policy, including the terms of employment or contract of service for Executive Directors, Chief Executive Officer, members of senior management, and to ensure a strong link is maintained between the level of remuneration and individual performance against agreed targets on total remuneration package.

The Remuneration Committee conducts periodic review of the Directors’ fees and submits its recommendations for approval by the Board. No director was involved in deciding his own remuneration.

Non-Executive Directors are paid Directors’ fees which are recommended by the Board for shareholders’ approval at the Company’s Annual General Meeting.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

The Remuneration Committee comprises the following Directors:-

Yip Jian Lee – Chairman, Independent Director *(appointed as Chairman on 7 March 2017)*
Teh Boon Eng – former Chairman, Independent Director *(resigned on 7 March 2017)*
Dato' Ahmad Fuaad bin Mohd Dahalan – Independent Director
Lee King Chi, Arthur – Non-Independent Non-Executive Director
Ichiro Maeda – Non-Independent Non-Executive Director *(appointed on 24 May 2016)*
Tsutomu Terabayashi – Non-Independent Non-Executive Director *(resigned on 24 May 2016)*
Dato' Zainal Abidin bin Putih – Independent Director *(appointed on 7 March 2017)*
Yeoh Chong Keng – Independent Director *(appointed on 7 March 2017)*

Name of Directors	No. of RC Meetings Held	No. of RC Meetings Attended
Yip Jian Lee	4	N/A
Teh Boon Eng	4	4
Dato' Ahmad Fuaad bin Mohd Dahalan	4	4
Lee King Chi, Arthur	4	4
Ichiro Maeda	4	2
Tsutomu Terabayashi	4	3
Dato' Zainal Abidin bin Putih	4	N/A
Yeoh Chong Keng	4	N/A

All Directors fully attended the meeting except for Mr. Ichiro Maeda and Mr. Tsutomu Terabayashi, who was appointed and resigned respectively on 24 May 2016 whilst Ms. Yip Jian Lee, Dato' Zainal Abidin bin Putih and Mr. Yeoh Chong Keng were only appointed to the Remuneration Committee on 7 March 2017.

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Remuneration Policy

Objective and Key Features

The objective of the remuneration policy is to facilitate the attraction, engagement and retention of Directors, CEO and senior officers of relevant capabilities as to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of Tokio Marine Insurans Malaysia ("the Company"). In addition, it seeks to be balanced to ensure the proper management of the Company's funds and is not excessive nor create incentive for imprudent, unsustainable or unethical behaviour in managing the Company. It takes into account the Company's corporate culture and values, business objective and strategy as well as its the long-term interests.

The key feature of the policy is that remuneration is focused on being competitive in the insurance industry and will reinforce desired characteristics in the Company. The remuneration has a fixed component and a variable component. The fixed component consists of fixed basic salaries, allowances and other benefits which commensurate with the employee's position and scope of responsibilities while the variable component considers the performance of the Company against the criteria set, the performance of each functional group and the individual performance. In addition, the variable component has a direct link to the tenure of the majority of risks underwritten by the business of the Company.

The Company's remuneration policy is reviewed periodically and revised when necessary, to ensure its continued relevance and objectivity.

Scope

The scope of this policy applies to the Company, which operates its business only in Malaysia.

The Company categorises its senior officers into two; senior officers who are appointed to the Executive Committee (Exco) (collectively referred to as "Exco members"), the highest decision making committee at management level and the other categories are those senior officers, though not Exco members, can materially commit or control significant amount of the Company's resources or whose actions may have an impact to its risk profile (collectively referred to as "Key Responsible Persons").

The Exco members comprise:

- Chief Executive Officer (CEO)
- Deputy Chief Executive Officer
- Chief Marketing Officer
- Chief Underwriting Officer
- Chief Financial Officer
- Chief Information Technology and Operations Officer
- Chief Human Resource Officer
- Chief Actuary
- Chief Risk Officer
- General Manager, Japanese Corporates
- Head, Agency Strategy

CORPORATE GOVERNANCE (CONTINUED)

5. Board Committees (continued)

d) Remuneration Committee (continued)

Other Key Responsible Persons comprise:
- Chief Internal Auditor
- Regional Hub Head (North)
- Regional Hub Head (South)
- Central & East Coast Area Head
- Sabah Area Head
- Sarawak Area Head
- Financial Controller
- AGM, Motor Franchise Dealers

Officers with control measures are measured differently in determining their remuneration. Their measurements do not take into account revenue or financial measures. Depending on their role, they may be measured on the effectiveness of the control measures they are responsible for.

Risks

Key risks that are taken into consideration when determining compensation measures include:

Manpower Risk: Attraction, engagement and retention of required human capital
In order to ensure the attraction, engagement and retention of required human capital, the level of remuneration is designed to be competitive. As such, remuneration levels will move with conditions in the labour market, and the general benchmark levels have moved upwards in the financial year with the rising wages in the industry.

Insurance Risk: Performance of Insurance Risks
The remuneration of employees takes into account the carrying degrees of risk of loss from insurance risk that is underwritten by the Company, tying the Company's performance and variable components to performance to the realization of this risk over the period taken. Remuneration levels will decrease when these risks increase within the financial year and vice versa. As the claims history has deteriorated in the financial year, the remuneration will be reduced accordingly.

Performance and Remuneration

The remuneration practices for employees are linked to the Company's performance.

The Company's performance takes into account financial metrics (such as revenue, underwriting performance and profitability), risk and compliance metrics and strategic transformation / initiatives metrics. The Board sets the Company's target metrics for the year and the corresponding impact on remuneration in relation to performance. These metrics are used to determine the Company's performance, as to whether it is strong, acceptable or weak as well as the corresponding impact on variable remuneration for executives. As an employee's variable remuneration is influenced significantly by the Company's performance metrics. As such, should the Company perform well, an employee's variable remuneration will increase and vice versa.

In addition to the performance of the Company, an employee's variable remuneration is determined by the performance of the individual's functional group and the individual's personal performance and overall contribution to the Company. This encourages working across the Company and teamwork in delivering the Company's functional priorities in addition to personal performance and contribution.

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

5. <u>Board Committees (continued)</u>

d) <u>Remuneration Committee (continued)</u>

Variable Components of Remuneration

As the Company's business risk is generally short term and recognized within a year, the Company does not have a deferred variable remuneration scheme as of this financial year.

The Company generally uses annual variable cash bonuses for its senior officers, of which the quantum is determined by the Company's performance relative to the performance metrics set. The ratio of variable pay to fixed pay is generally similar for employees across the organization, except for the CEO where a higher variable pay component is targeted, subject to the performance of the Company.

The remuneration paid and accrued to the Board members, CEO, EXCO members and Key Responsible Persons during the financial year ended 31 December 2016 are shown in the following tables.

FOR FINANCIAL YEAR 2016

Name	Directorship / Designation	Fixed Remuneration						Variable Remuneration			Total Value of remuneration awards for the financial year RM'000
		Unrestricted			Deferred			Unrestricted			
		Cash-based RM'000	Shares and share-linked instrument RM'000	Others RM'000	Cash-based RM'000	Shares and share-linked instrument RM'000	Others RM'000	Cash-based RM'000	Shares and share-linked instrument RM'000	Others RM'000	
Dato' Ahmad Fuaad bin Mohd Dahalan	Chairman / Director	65						3			68
Teh Boon Eng	Director	46						3			49
Emeritus Professor Dato' Dr Lian Chin Boon	Director	41						1			42
Yip Jian Lee	Director	41						1			42
Tsutomu Terabayashi	Director	17						1			17
Ichiro Maeda	Director	25						1			26
Lee King Chi, Arthur	Director	42						1			43
Hajime Tokuda	Executive Director	502		123				58			684
Saw Teow Yam	Chief Executive Officer	7,197		25				2,108			9,331

Category	No of Headcount	Fixed Remuneration						Variable Remuneration			Total Value of remuneration awards for the financial year RM'000
		Unrestricted			Deferred			Unrestricted			
		Cash-based RM'000	Shares and share-linked instrument RM'000	Others RM'000	Cash-based RM'000	Shares and share-linked instrument RM'000	Others RM'000	Cash-based RM'000	Shares and share-linked instrument RM'000	Others RM'000	
EXCO	11	4,961		168				1,029			6,158
EXCO - sign-on bonus	1							19			19
Key Responsible Person	8	2,855		57				491			3,403

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

6. Risk Management and Internal Control Framework

The Risk Management framework of the Company comprises an ongoing process for identifying, evaluating and measuring the significant risks faced by the Company through designated management functions and internal control, which covers all levels of personnel and business processes to ensure that the Company's operations are run in an effective and efficient manner. This is supported by the maintenance of a reliable information system that covers all significant business activities.

Continuous assessment of the effective and adequacy of internal controls, which include the independent examination of controls by the internal audit function, ensures corrective actions, where necessary, are taken in a timely manner.

Board responsibilities

The Board recognises the importance of a sound risk management and internal control framework as part of good corporate governance and in order to safeguard the Group's and the Company's asset and shareholder's interest. The Board committees, namely the Risk Management Committee and Audit Committee have been delegated with the responsibility to set the direction and ensure that senior management has all the necessary systems, processes and resources in place to ensure the effectiveness, adequacy and integrity of the Company's overall control environment.

The scope of responsibilities of the Risk Management Committee and Audit Committee are embedded in their respective charters; the Board as a whole, however remains ultimately responsible for the Company's system of risk management and internal control.

The Board also acknowledges that whilst control systems are designed to identify and mitigate business and other associated key risks, they cannot totally eliminate all risks and cannot provide absolute assurance against material misstatements or losses, fraud or breaches of laws or regulations.

Risk management

The Company has established an Enterprise Risk Management (ERM) Department, led by the Chief Risk Officer, to assist the Senior Management in the identification and assessment of the Company's business risks and thereafter, together with the respective risk owners, to design, implement and monitor appropriate risk management processes and internal controls to mitigate such risks in an effective manner.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

6. Risk Management and Internal Control Framework (continued)

The ERM Department roles further include:

- determines and recommends to the Senior Management and the Risk Management Committee, the Company's risk appetite and tolerance; ensuring the alignment of risks with business objectives, the Board and shareholder's expectations;

- establish Risk Management policies, principles, practices and methodologies which are cascaded down to all staff and ensure that these are regularly updated and enhanced to meet the changes in operating environment;

- ensure the Company has an organisational structure that promotes checks and balances and which defines clearly lines of responsibilities, approving authorities, limits and segregation of duties;

- review the Company's risk taking activities in ensuring prudent and acceptable risk taking behaviour in pursuit of achieving business performance targets;

- performs, on an annual basis, stress test on the Company's financial positions against the risk factors relevant to the Company's operations and business environment, and reporting the results of the stress test to the Senior Management and the Risk Management Committee;

- providing periodical reviews and assessments to ensure the risk mitigation measures remain appropriate, effective and correspond pro-actively to the changing business rules;

- ensure that the Company has in place a documented and periodically tested Business Continuity Plan which provides an effective support during material disruptions to its systems, processes and operations, or material damage to its assets upon the occurrence of a disastrous event;

- to continuously promote a robust risk awareness culture across the organisation and risk owners through written or verbal communications;

- report, at a minimum, on quarterly basis to the Risk Management Committee, amongst others, on the Company's significant risk concerns, emerging risks and the recommendations thereof, results of risk reviews, providing assurance that the Company has in place an effective and appropriate enterprise risk management process.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

6. Risk Management and Internal Control Framework (continued)

Internal Control

The Internal Audit (IA) Department, led by the Chief Internal Auditor, has been established to provide independent risk-based audits and review of the adequacy, effectiveness, integrity and reliability of the Company’s control activities and recommend improvement measures where required. It therefore provides assurance to the Audit Committee and the Board that the design and operation of the risk and control framework across the organisation is effective.

The IA Department responsibilities further include:

- Conduct periodic audit reviews on operational and management activities across all departments and branches; presenting audit reports and highlights internal control deficiencies or breaches on timely manner to the Senior Management and Audit Committee for deliberations and remedial actions;

- review the adequacy of controls over financial reporting system and processes in ensuring accuracy and integrity of the financial statements;

- ensure the Company has an organisational structure that promotes checks and balances and which defines clearly lines of responsibilities, approving authorities, limits and segregation of duties;

- ensure operational policies and procedures, which includes regulatory and internal requirements, are properly documented, complied with and regularly updated when there are changes to the operating rules;

- observe and review the Business Continuity Plan testing to provide an independent evaluation of the testing and to highlight any deficiency discovered during the testing;

- meet the Audit Committee at least six times annually to present the audit reports and findings and monitor that all recommended actions to address internal control weaknesses have been timely taken;

The Chief Risk Officer (CRO) and Chief Internal Auditor (CIA) meet regularly to share findings and recommendations on common areas of concern.

The CRO and CIA also participated in the monthly Executive Committee meetings to keep themselves updated of the Company’s latest business activities and provide relevant input on areas concerning business risks and internal control where necessary.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS IN SHARES

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

Dato' Ahmad Fuaad bin Mohd Dahalan
Emeritus Professor Dato' Dr Lian Chin Boon
Lee King Chi, Arthur
Yip Jian Lee
Hajime Tokuda
Ichiro Maeda – appointed on 24 May 2016
Dato' Zainal Abidin bin Putih – appointed on 7 March 2017
Dato' Jagjit Singh a/l Bant Singh – appointed on 7 March 2017
Yeoh Chong Keng – appointed on 7 March 2017
Tsutomu Terabayashi – resigned on 24 May 2016
Teh Boon Eng – resigned on 7 March 2017

In accordance with the Company's Articles of Association, Lee King Chi, Arthur and Ichiro Maeda shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

According to the register of Directors' shareholdings, none of the Directors in office at the end of the year held any interest in shares in or debentures of the Group and the Company or its related corporations, except as follows:

	Number of ordinary shares of SGD1 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Holdings registered in name of director				
Subsidiaries of ultimate holding corporation - Asia General Holdings Ltd				
Lee King Chi Arthur*	1	-	-	1
Tsutomu Terabayashi*	1	-	1	-
Ichiro Maeda*	-	1	-	1

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

DIRECTORS AND THEIR INTERESTS IN SHARES (CONTINUED)

	Number of ordinary shares of SGD1 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
- Tokio Marine Life Insurance Singapore Ltd				
Lee King Chi Arthur^	1	-	-	1
Tsutomo Terabayashi^	1	-	1	-

^As nominee of Asia General Holdings Ltd

DIRECTORS' BENEFITS

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

Since the end of the previous year, no director of the Group and the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind shown in the notes to the financial statements of this Group and the Company) by reason of a contract made by the Group and the Company or a related corporation with the director or with a firm of which he is a member, or with a corporation in which he has a substantial financial interest.

ULTIMATE HOLDING CORPORATION

The Directors regard Tokio Marine Holdings Inc., a corporation incorporated in Japan, as the ultimate holding corporation of the Group and the Company.

DIRECTORS' REPORT (CONTINUED)

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 22 March 2017.

SIGNED	SIGNED
YIP JIAN LEE DIRECTOR	HAJIME TOKUDA DIRECTOR

Kuala Lumpur

Company No.	
149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD

(Incorporated in Malaysia)

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

We, Yip Jian Lee and Hajime Tokuda, being two of the Directors of Tokio Marine Insurans (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 34 to 118 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016 and of the results and cash flows of the Group and the Company for the year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 March 2017.

SIGNED

YIP JIAN LEE
DIRECTOR

SIGNED

HAJIME TOKUDA
DIRECTOR

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

I, Jayakumar s/o Somasundram, being the Chief Executive Officer primarily responsible for the financial management of Tokio Marine Insurans (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 118 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.

SIGNED

JAYAKUMAR S/O SOMASUNDRAM

Subscribed and solemnly declared by the abovenamed Jayakumar s/o Somasundram at Kuala Lumpur in Malaysia on 22 March 2017.

Before me,

SIGNED

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Tokio Marine Insurans (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 118.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF TOKIO MARINE INSURANS (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) 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.

SIGNED

PRICEWATERHOUSECOOPERS
(No. AF-1146)
Chartered Accountants

SIGNED

SOO HOO KHOON YEAN
(No. 2682/10/17 (J))
Chartered Accountant

Kuala Lumpur
22 March 2017

Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Property, plant and equipment	4	33,934	25,577	33,934	25,577
Intangible assets	5	179,943	179,943	179,943	179,943
Investments: Available-for-sale	6	1,425,355	1,388,410	1,475,227	1,428,914
Tax recoverable		7,320	5,768	7,320	5,768
Reinsurance assets	8	276,734	528,850	276,734	528,850
Insurance receivables	9	146,532	183,943	146,532	183,943
Loans and receivables (excluding insurance receivables)	10	481,005	540,058	430,860	463,556
Deferred tax assets	15	-	3,147	-	3,147
Cash and bank balances		25,758	17,272	25,710	17,094
Total Assets		2,576,581	2,872,968	2,576,260	2,836,792
EQUITY, GENERAL FUNDS AND LIABILITIES					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	671,955	631,500	653,761	628,321
Other reserves	13	(7,632)	825	10,561	4,057
		1,067,794	1,035,796	1,067,793	1,035,849
Non-controlling interests		-	33,749	-	-
Total Equity		1,067,794	1,069,545	1,067,793	1,035,849
Insurance contract liabilities	14	1,342,101	1,597,610	1,342,101	1,597,610
Deferred tax liabilities	15	3,853	-	3,853	-
Other financial liabilities	16	1,759	2,416	1,759	2,416
Insurance payables	17	83,872	128,954	83,872	128,954
Other payables	18	77,202	74,443	76,882	71,963
Total Liabilities		1,508,787	1,803,423	1,508,467	1,800,943
Total Equity and Liabilities		2,576,581	2,872,968	2,576,260	2,836,792

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

Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016	Group 2015	Company 2016	Company 2015
		RM'000	RM'000	RM'000	RM'000
Gross earned premiums	19(a)	1,067,064	1,059,339	1,067,064	1,059,339
Premiums ceded to reinsurers	19(b)	(188,194)	(198,548)	(188,194)	(198,548)
NET EARNED PREMIUMS		878,870	860,791	878,870	860,791
Investment income	20	77,776	70,212	65,203	64,108
Realised gains and losses	21	(167)	1,200	(5,346)	1,519
Fair value gains and losses		-	(3,112)	-	(3,112)
Fee and commission income		50,535	37,660	50,535	37,660
OTHER REVENUE		128,144	105,960	110,392	100,175
TOTAL REVENUE		1,007,014	966,751	989,262	960,966
Gross claims paid		(766,635)	(595,124)	(766,635)	(595,124)
Claims ceded to reinsurers		194,975	109,509	194,975	109,509
Gross change to insurance contract liabilities		273,077	(127,274)	273,077	(127,274)
Change in insurance contract liabilities ceded to reinsurers		(240,309)	76,714	(240,309)	76,714
NET CLAIMS INCURRED		(538,892)	(536,175)	(538,892)	(536,175)
Other operating income	22	3,873	4,167	3,873	4,167
Fee and commission expense		(125,573)	(125,225)	(125,573)	(125,225)
Management expenses	23	(221,080)	(195,291)	(218,343)	(191,847)
OTHER EXPENSES		(342,780)	(316,349)	(340,043)	(312,905)
PROFIT BEFORE TAXATION		125,342	114,227	110,327	111,886
Taxation	24	(16,587)	(14,254)	(16,587)	(14,254)
PROFIT FOR THE YEAR		108,755	99,973	93,740	97,632
Attributable to:					
- Owner of the Company		108,755	98,970	93,740	97,632
- Non-controlling interests		-	1,003	-	-
		108,755	99,973	93,740	97,632
BASIC EARNINGS PER SHARE (SEN)	25	27	25	23	24

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

Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Profit for the year		108,755	99,973	93,740	97,632
Other comprehensive income:					
Items that may be subsequently reclassified to the income statement					
Available-for-sale reserves					
Net (loss)/gain on fair value arising during the year		(6,242)	(750)	13,898	482
Net realised (loss)/gain transferred to income statement		(161)	(217)	(5,340)	102
		(6,403)	(967)	8,558	584
Tax effects thereon	15	(2,054)	(212)	(2,054)	(212)
		(8,457)	(1,179)	6,504	372
Items that will not be reclassified to the income statement					
Revaluation reserve:					
Surplus arising during the financial year	4	-	4,380	-	4,380
Tax effect thereon	15	-	(1,021)	-	(1,021)
		-	3,359	-	3,359
Total comprehensive income for the year		100,298	102,153	100,244	101,363
Total comprehensive income attributable:					
- Owner of the Company		100,298	101,310	100,244	101,363
- Non-controlling interests		-	843	-	-
		100,298	102,153	100,244	101,363

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

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

			Non-distributable		Distributable			
	Note	Share capital RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total equity attributable to owner of the parent RM'000	Non-controlling interests RM'000	Total RM'000
Group								
At 1 January 2015		403,471	1,557	(3,072)	638,076	1,040,032	11,855	1,051,887
Capital contribution by non – controlling interests		-	-	-	-	-	21,051	21,051
Profit for the year		-	-	-	98,970	98,970	1,003	99,973
Other comprehensive income for the year		-	3,359	(1,019)	-	2,340	(160)	2,180
Dividend paid during the year	26	-	-	-	(105,546)	(105,546)	-	(105,546)
At 31 December 2015		403,471	4,916	(4,091)	631,500	1,035,796	33,749	1,069,545
At 1 January 2016		403,471	4,916	(4,091)	631,500	1,035,796	33,749	1,069,545
Capital withdrawal by non – controlling interests		-	-	-	-	-	(33,749)	(33,749)
Profit for the year		-	-	-	108,755	108,755	-	108,755
Other comprehensive income for the year		-	-	(8,457)	-	(8,457)	-	(8,457)
Dividend paid during the year	26	-	-	-	(68,300)	(68,300)	-	(68,300)
At 31 December 2016		403,471	4,916	(12,548)	671,955	1,067,794	-	1,067,794

Company No.	
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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

			Non-distributable		Distributable	
	Note	Share capital RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total RM'000
Company						
At 1 January 2015		403,471	1,557	(1,231)	636,235	1,040,032
Profit for the year		-	-	-	97,632	97,632
Other comprehensive income for the year		-	3,359	372	-	3,731
Dividend paid during the year	26	-	-	-	(105,546)	(105,546)
At 31 December 2015		403,471	4,916	(859)	628,321	1,035,849
At 1 January 2016		403,471	4,916	(859)	628,321	1,035,849
Profit for the year		-	-	-	93,740	93,740
Other comprehensive income for the year		-	-	6,504	-	6,504
Dividend paid during the year	26	-	-	-	(68,300)	(68,300)
At 31 December 2016		403,471	4,916	5,645	653,761	1,067,793

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	108,755	99,973	93,740	97,632
Adjustment of:				
Property, plant and equipment				
- depreciation	10,926	7,645	10,926	7,645
- loss on disposal	6	65	6	65
- write off	107	288	107	288
Fair value loss on financial assets at FVTPL	-	3,112	-	3,112
Amortisation of premium	-	994	-	5
Gain on disposal of financial assets at FVTPL	-	(1,186)	-	(1,186)
Loss/(gain) on disposal of AFS financial assets	161	(79)	5,340	(398)
Investment income	(77,776)	(71,206)	(65,203)	(64,113)
(Write-back of)/allowance for impairment of insurance receivables	(6,377)	1,771	(6,377)	1,771
Bad debts written off/(back)	9,860	(2,701)	9,860	(2,701)
Tax expense	16,587	14,254	16,587	14,254
Profit from operations before changes in operating assets and liabilities	62,249	52,930	64,986	56,374
Purchases of investments	(2,110,991)	(1,486,540)	(1,453,189)	(763,913)
Proceeds from disposal of financial investments	2,063,476	992,979	1,410,094	365,767
Proceeds from maturity of investments	-	30,449	-	-
Decrease/(increase) in reinsurance assets	251,812	(58,492)	251,812	(58,492)
Decrease/(increase) in insurance receivables	34,056	(9,029)	34,055	(9,029)
Decrease in loans and receivables	60,079	425,265	33,710	371,200
(Decrease)/increase in insurance contract liabilities	(255,509)	128,309	(255,509)	128,309
Decrease in other financial liabilities	(657)	(7,057)	(657)	(7,057)
Decrease in insurance payables	(45,082)	(20,242)	(45,082)	(20,242)
Increase/(decrease) in other payables	2,759	(16,798)	4,919	2,258
	62,192	31,774	45,139	65,175

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Tax paid	(13,193)	(23,863)	(13,193)	(23,863)
Investment income received:				
- Interest	25,843	29,812	9,277	17,121
- Dividend	54,964	49,210	54,964	49,210
- Others	125	124	125	124
Net cash generated from operating activities	129,931	87,057	96,312	107,767
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(19,459)	(10,460)	(19,459)	(10,460)
Proceeds from disposal of property, plant and equipment	63	162	63	162
Net cash used in investing activities	(19,396)	(10,298)	(19,396)	(10,298)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(68,300)	(105,546)	(68,300)	(105,546)
Capital (withdrawal)/contribution from non-controlling interests	(33,749)	20,838	-	-
Net cash used in financing activities	(102,049)	(84,708)	(68,300)	(105,546)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	8,486	(7,949)	8,616	(8,077)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	17,272	25,221	17,094	25,171
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25,758	17,272	25,710	17,094
Cash and bank balances	25,758	17,272	25,710	17,094

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

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

The registered office of the Company is located at:

Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan

The principal place of business of the Company is located at:

29 - 31st Floor, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial statements

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965 in Malaysia.

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

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

The financial statements are presented in Ringgit Malaysia ("RM").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

The Group and the Company adopted the following standards for the first time for the financial year beginning on or after 1 January 2016:

- Annual Improvements to MFRSs 2012-2014 Cycle (Amendments to MFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, MFRS 7 “Financial Instruments: Disclosures”, MFRS 119 “Employee Benefits” and MFRS 134 “Interim Financial Reporting”)
- Amendments to MFRS 101 “Presentation of Financial Statements” – Disclosure Initiative
- Amendments to MFRS 10, 12 and 128 “Investment entities – Applying the consolidation exception”
- Amendments to MFRS 116 and 138 “Clarification of Acceptable Methods of Depreciation and Amortisation”

There were no material changes to the Group’s and the Company’s accounting policies other than enhanced disclosures to the financial statements.

All other standard amendments to published standards and interpretations that are effective for the current year are not relevant to the Company.

The Group and the Company will apply the following relevant and applicable new standards, amendments to standards and interpretations in the following periods:

(i) Financial year beginning on or after 1 January 2017

- Amendments to MFRS 107 “Statement of Cash Flows” – Disclosure Initiative introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments shall be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(ii) Financial year beginning on or after 1 January 2018

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value on OCI (provided the instrument is not held for trading). A debt instruments is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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

  The amendments allow entities to avoid temporary volatility in profit or loss ("P&L") that might result from adopting MFRS 9 “Financial Instruments” before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through P&L under MFRS 9; whereas, under MFRS 4 “Insurance Contracts”, the related liabilities from insurance contracts are often measured on amortised cost basis.

  The amendments provide two different approaches for entities:
  (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and
  (ii) the overlay approach. Both approaches are optional.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(ii) Financial year beginning on or after 1 January 2018 (continued)

- IC Interpretation 22 “Foreign Currency Transactions and Advance Considerations” applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

(iii) Financial year beginning on or after 1 January 2019

- MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Company are currently assessing the impact on the financial statements from the adoption of MFRS 9 and MFRS 4.

All other new amendments to published standards and interpretation to existing standards issued by MASB effective for periods subsequent to 1 January 2016 are not relevant to the Group and the Company.

(b) Basis of consolidation

(i) Subsidiaries

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

Group refers to the Company and its investment in structured entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that are transactions with the owner in their capacity as owners. The difference between fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposed of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(c) Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139. Financial Instruments: Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in the profit or loss.

(d) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2(e) to the financial statements on goodwill. If the cost of acquisition is less than fair value of the acquired net assets, the difference is recognised directly in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill represents the excess of purchase consideration and related costs of acquisition over the aggregate of the fair value of the net assets of the business acquired at the date of acquisition. See accounting policy Note 2(i) to the financial statements on impairment of non-financial assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment.

The Group and the Company allocate goodwill to the combined general insurance business as a whole, which has been identified as a cash-generating unit.

(f) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Leasehold land and building are subsequently shown at revalued amount, based on periodic valuation of at least once in every 5 years 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 asset, 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 accumulated 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 Group and the Company, and the cost of the item can be measured reliably. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land and building	42 years
Furniture and fittings	3 - 6 years
Motor vehicles	4 years
Office equipment and computers	3 - 6 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each statement of financial position date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Surpluses arising from revaluation are credited to revaluation reserve via the statement of other comprehensive income. 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 profit or loss during the period in which they incur.

At each date of the statement of financial position, the Group and the Company also assess 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(i) to the financial statements 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 profit or loss. On disposal of revalued assets, amounts in the revaluation reserve relating to the assets are transferred to retained earnings.

(g) Investments and other financial assets

The Group and the Company classify its investments and other financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity or available-for-sale. Classification of the financial assets is determined at initial recognition.

(i) Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL relate to financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or they are part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Financial assets at FVTPL are measured at fair value and any gain or loss arising from a change in the fair value is recognised in the profit or loss. Gains and losses on derecognition of such financial assets are measured as the difference between the sales proceeds and the last adjusted fair value in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments and other financial assets (continued)

(ii) Held-to-maturity (“HTM”)

Financial assets at HTM are financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. HTM financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the profit or loss when the financial assets are derecognised or impaired.

(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 financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale (“AFS”)

Financial assets at AFS are those that are not classified as FVTPL or HTM or LAR and are measured at fair value. AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, AFS financial assets are subsequently measured at fair value. Any gain or loss arising from a change in fair value, net of income tax, is reported separately in the statement of comprehensive income and reported as a separate component of equity until the financial asset is derecognised or is determined to be impaired. When the financial assets are derecognised or impaired, the cumulative gains or losses previously recognised in equity shall be transferred through the statement of comprehensive income to the profit or loss.

(h) Impairment of financial assets

The Group and the Company assess at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset 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 financial asset that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on HTM financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

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 by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

(iii) Financial assets carried at fair value

In the case of financial assets classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is transferred from equity through the statement of comprehensive income and recognised in the profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS financial assets carried at fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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, whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(j) 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.

(k) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and Company.

(ii) Post-employment benefits

The Group and the Company's contributions to the Employees' Provident Fund, the national defined contribution plan, are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. 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 Group and the Company from their 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. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group and the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group and the Company will receive from the reinsurer. The impairment loss is recorded in the profit or loss.

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

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

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at 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 Group and Company reduce the carrying amount of the insurance receivable accordingly and recognise that impairment loss in the profit or loss. The Group and the Company gather 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(h) to the financial statements.

(n) General insurance underwriting results

Product classification

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

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

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 expire.

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

Premium income

Premium income is recognised in a year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the year upon issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the date of the statement of financial position are accrued at that date as pipeline premiums.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities refer to the higher of:

(a) the aggregate of the unearned premium reserves (“UPR”); or

(b) the best estimate value of the Group’s and the Company’s unexpired risk reserves (“URR”) at the valuation date and the provision of risk margin for adverse deviation (“PRAD”) at a 75% confidence level as required by BNM, calculated at the overall Group and Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and includes allowance for the Group’s and the Company’s expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

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

In determining the UPR at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium is used, as follows:

(i) 25% method for marine cargo business;

(ii) time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and

(iii) 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the corresponding percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the statement of financial position date. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the date of the statement of financial position, based on an actuarial valuation with a PRAD at a 75% confidence level as required by BNM.

Throughout the course of the year, management regularly re-assesses claims and provisions both on an individual and class basis, based on independent professional advice and reports, other available information and management’s own assessment of the claims and provisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs (“DAC”)

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

These costs are deferred to the extent that they are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying values, an impairment loss is recognised in the profit or loss.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

For presentation purposes, DAC is netted-off against premium liabilities in the financial statements.

Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate costs of claims reported at the end of the reporting period and for the expected ultimate costs of claims incurred but not reported (“IBNR”) at the end of the reporting period.

It may take a significant period of time before the ultimate claims costs can be established with some certainty and for some types of policies, IBNR claims represent a significant portion of the insurance contract liabilities. The ultimate cost of the outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

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

Additionally, certain qualitative judgment is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all uncertainties involved.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Other revenue recognition

Interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and the 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 profit or loss.

(p) Foreign currency transactions

Items included in the financial statements of the Group and 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 Group's and the Company's functional and presentation currency.

Foreign currency transactions in the Group and the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated at the rates of exchange ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss.

(q) Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Group and the Company operate and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amount in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantially enacted by the date of the statement of financial position are used to determine deferred tax and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but disclose 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 Group and 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 Group and Company. The Group and the Company do not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(s) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(t) Operating lease

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 profit or loss on the straight line basis over the lease period.

(u) Provisions

Provisions are recognised when the Group and the Company have 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.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial instruments

Description

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.

Recognition method

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

Fair value estimation

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

- the fair values of Malaysian Government Securities are based on the indicative market prices;
- the fair values of Cagamas papers and unquoted corporate debt securities are based on the indicative market yield obtained from fund managers;
- the fair values of quoted equity securities and unit trusts are based on quoted market prices; and
- the carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are expected to have a material impact to the Group's and the Company's results and financial positions are tested for sensitivity to changes in the underlying parameters. 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) Estimated impairment of goodwill

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed annually by the Group and the Company according to their accounting policies by comparing the recoverable amounts of the CGUs with the carrying amount of net assets allocated to the CGU, including the attributable goodwill.

The recoverable amounts of the CGUs were determined based on the value-in-use calculations. The calculations require the use of estimates. Refer to Note 5 to the financial statements on key assumptions used in the calculations for the CGUs.

(ii) Claims liabilities

The value of claims liabilities for each class of business is estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment, and includes a provision of risk margin for adverse deviation ("PRAD") at a 75% confidence level as required by BNM. PRAD is a component of the value of the insurance liabilities that relates to the uncertainty inherent in the best estimate value of the claims liabilities. PRAD is also an additional component of the liability value aimed at ensuring that the value of the claims liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. The final selected estimates are based on a judgmental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term of settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Claims liabilities (continued)

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain the actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

(b) Critical judgements in applying the Group's and the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Group and the Company.

There were no critical judgements applied in the Group's and Company's accounting policies.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Building	Furniture and fittings	Motor vehicles	Office equipment and computers	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group / Company						
Cost						
At 1 January 2016	6,000	3,000	7,301	2,466	25,403	44,170
Additions	-	-	3,932	330	15,197	19,459
Disposals	-	-	(30)	(138)	(15)	(183)
Write off	-	-	(213)	-	(422)	(635)
At 31 December 2016	6,000	3,000	10,990	2,658	40,163	62,811
Accumulated depreciation						
At 1 January 2016	619	335	2,790	850	13,999	18,593
Charge for year	163	81	2,970	443	7,269	10,926
Disposals	-	-	(22)	(80)	(12)	(114)
Write off	-	-	(135)	-	(393)	(528)
At 31 December 2016	782	416	5,603	1,213	20,863	28,877
Net book value						
At 31 December 2016	5,218	2,584	5,387	1,445	19,300	33,934
Group / Company						
Cost						
At 1 January 2015	2,940	1,680	16,163	2,348	44,510	67,641
Revaluation	3,060	1,320	-	-	-	4,380
Additions	-	-	5,578	578	4,304	10,460
Disposals	-	-	(44)	(460)	(142)	(646)
Write off	-	-	(14,396)	-	(23,269)	(37,665)
At 31 December 2015	6,000	3,000	7,301	2,466	25,403	44,170
Accumulated depreciation						
At 1 January 2015	509	277	14,835	984	31,910	48,515
Charge for year	110	58	2,307	126	5,044	7,645
Disposals	-	-	(35)	(245)	(139)	(419)
Write off	-	-	(14,317)	(15)	(22,816)	(37,148)
At 31 December 2015	619	335	2,790	850	13,999	18,593
Net book value						
At 31 December 2015	5,381	2,665	4,511	1,616	11,404	25,577

5 INTANGIBLE ASSETS

	Group / Company	
	2016	2015
	RM'000	RM'000
Cost:		
At 1 January / 31 December	179,943	179,943

Goodwill of the Group and Company arose from the business acquisitions of Amanah General Insurance (M) Bhd ("AGIB"), Asia Insurance (M) Bhd ("AIMB") and MUI Continental Insurance Berhad ("MUI") in 2002, 2007 and 2012 respectively. As at 31 December 2016, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was remained as RM13,666,666 (2015: RM13,666,666), RM13,263,065 (2015: RM13,263,065) and RM153,013,485 (2015: RM153,013,485) respectively.

Goodwill has been allocated to the cash generating unit, being the combined general insurance business as a whole. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the regional office covering a three-year period for 2017 to 2019, determined by budgeted profitability based on management's past performance and management's expectation of market developments. Cash flows beyond the three-year period are extrapolated using estimated perpetual growth rates.

The key assumptions used in the value-in-use calculation are as follows:

(a) Average premium growth rate of 4% (2015: 5%) per annum have been projected on the basis of management's expectations of market developments taking into account the business plan which reflect future expansion plans and synergies arising from integration of the business acquired with existing business of the Company. The weighted average growth rates are consistent with the forecasts included in industry reports, adjusted with the trends and expectations of the Company's branches.

(b) Loss ratios of 62% (2015: 59%) per annum have been projected after taking into account management's strategy for premium growth as well as past developments with respect to loss development patterns. The loss ratios are expected to remain at the existing levels.

(c) A discount rate of 10% (2015: 10%) used is pre-tax and reflects the general insurance industry's overall weighted average cost of capital.

(d) Terminal value is estimated based on perpetual margin growth rate of 6% (2015: 8%) per annum.

5 INTANGIBLE ASSETS (CONTINUED)

Based on the assessment of value-in-use for the cash generating unit, the Group and the Company do not expect that any reasonable change in the key assumptions will cause the carrying amount of the goodwill to exceed its recoverable amount, resulting in impairment of goodwill. In conclusion, the key assumptions are not sensitive.

6 INVESTMENTS

The Group's and the Company's financial investments are summarised by categories as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")	1,425,355	1,388,410	1,475,227	1,428,914
Loans and receivables ("LAR") (Note 10)	481,005	540,058	430,860	463,556
	1,906,360	1,928,468	1,906,087	1,892,470

The following investments mature within 12 months:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
AFS	75,446	29,395	-	-
LAR	415,520	460,423	365,375	383,921
	490,966	489,818	365,375	383,921

The following investments mature after 12 months:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
AFS	1,349,909	1,359,015	1,475,227	1,428,914
LAR	65,485	79,635	65,485	79,635
	1,415,394	1,438,650	1,540,712	1,508,549

6 INVESTMENTS (CONTINUED)

(a) Available-for-sale ("AFS")

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fair value				
Malaysian Government Securities	162,211	64,912	-	-
Government Investment Issues	76,684	136,935	-	-
Corporate debt securities:				
Unquoted	1,079,494	862,523	-	-
	1,318,389	1,064,370	-	-
Unit trust	92,204	314,987	92,204	314,987
Controlled structured entities (Note 7)	-	-	1,383,023	1,113,927
	1,410,593	1,379,357	1,475,227	1,428,914
Accrued interest income				
Malaysian Government Securities	1,956	594	-	-
Government Investment Issues	1,316	1,582	-	-
Corporate debt securities:				
Unquoted	11,490	6,877	-	-
	14,762	9,053	-	-
	1,425,355	1,388,410	1,475,227	1,428,914

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial assets

Group	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2015	799,055	116,080	915,135
Purchases	1,425,577	80,498	1,506,075
Maturities	(30,449)	-	(30,449)
Disposals	(798,248)	(193,466)	(991,714)
Fair value losses recorded in:			
Income statement	-	(3,112)	(3,112)
Other comprehensive income	(747)	-	(747)
Accretion of discounts, net of amortisation of premium	(994)	-	(994)
Movement in interest income due and accrued	(5,784)	-	(5,784)
At 31 December 2015	1,388,410	-	1,388,410
At 1 January 2016	1,388,410	-	1,388,410
Purchases	2,110,991	-	2,110,991
Disposals	(2,063,637)	-	(2,063,637)
Fair value losses recorded in:			
Other comprehensive income	(6,403)	-	(6,403)
Movement in interest income due and accrued	(4,006)	-	(4,006)
At 31 December 2016	1,425,355	-	1,425,355

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial assets (continued)

Company	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2015	915,788	116,080	1,031,868
Purchases	683,415	80,498	763,913
Disposals	(170,717)	(193,466)	(364,183)
Fair value gains/(losses) recorded in:			
Income statement	-	(3,112)	(3,112)
Other comprehensive income	804	-	804
Accretion of discounts, net of amortisation of premium	(5)	-	(5)
Movement in interest income due and accrued	(371)	-	(371)
At 31 December 2015	1,428,914	-	1,428,914
At 1 January 2016	1,428,914	-	1,428,914
Purchases	1,453,189	-	1,453,189
Disposals	(1,415,434)	-	(1,415,434)
Fair value gains recorded in:			
Other comprehensive income	8,558	-	8,558
At 31 December 2016	1,475,227	-	1,475,227

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets

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

Group	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
31 December 2016			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	164,167	-	164,167
- Government Investment Issues	78,000	-	78,000
- Corporate debt securities	-	1,090,984	1,090,984
- Unit trusts	-	92,204	92,204
	242,167	1,183,188	1,425,355
31 December 2015			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	65,506	-	65,506
- Government Investment Issues	138,517	-	138,517
- Corporate debt securities	-	869,400	869,400
- Unit trusts	-	314,987	314,987
	204,023	1,184,387	1,388,410

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets (continued)

Company	Level 2 RM'000
31 December 2016	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	1,475,227
	1,475,227
31 December 2015	
Financial Assets	
Available-for-sale financial assets:	
- Unit trusts	1,428,914
	1,428,914

There were no investments held by the Group and the Company that were classified under Level 3 as at 31 December 2016 (2015: Nil).

6 INVESTMENTS (CONTINUED)

(c) Fair values of financial assets (continued)

Level 1

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. These are considered as Level 1 valuation basis.

Level 2

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, and considered as Level 2 valuation basis.

Level 3

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private non quoted securities. As observables prices are not available for those securities, valuation techniques are used to derive the fair value. There were no investments valued using this basis during the year.

There were no transfers of financial assets between levels landed during the year.

7 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM1,383,023,370 (2015: RM1,113,926,596) as disclosed in Note 6 to the financial statements as investment in structured entities ("investee funds"). The Company invests in the investee funds whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The investee funds are managed by Opus Asset Management Sdn Bhd and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The Company holds 100% of the Opus Income Fund,100% of Opus Specific Income Fund and 100% of the Opus Low Risk Asset Fund, all funds being established in Malaysia, and thus has control over these investee funds. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

7 CONTROLLED STRUCTURED ENTITIES (CONTINUED)

These investee funds are classified as available-for-sale investments and the change in fair value of each investee fund is included in the statement of other comprehensive income in the Company's separate financial statements.

The Company's exposure to investments in the investee funds is disclosed below.

	2016 RM	2015 RM
Number of wholesale unit trust fund	3	6
Average net asset value per unit of wholesale unit trust funds:		
Enhanced Cash Fund	-	1.0233
Amcash Plus	-	0.9858
CIMB-Principal Institutional Bond Fund 4	-	1.0099
Affin Hwang Flexi III	-	0.5048
AmIncome Select	-	0.9950
Opus Shariah Income Fund	-	1.0498
Opus Income Fund	1.0097	-
Opus Specific Income Fund	1.0109	-
Opus Low Risk Asset Fund	1.0040	-
Fair value of underlying net assets:		
Corporate bonds	1,333,151,685	1,073,422,765
Deposits with licensed financial institutions	49,932,810	76,501,362
Cash equivalents	259,696	178,264
Payables	(289,570)	(2,480,656)
	1,383,054,621	1,147,621,735
Total fair value gain incurred for the financial year	2,791,564	188,029

The Company's maximum exposure to loss from its interests in the investee funds is equal to the fair value of its investment in the investee funds.

As the Company has control over these investee funds which are considered controlled structured entities, these structured entities are consolidated at Group level. The underlying assets of these structured entities have taken duly consolidated as shown in Note 6 to the financial statements.

8 REINSURANCE ASSETS

	Group / Company	
	2016	2015
	RM'000	RM'000
Reinsurance of insurance contracts (Note 14)	280,880	532,692
Allowance for impairment (Note 31)	(4,146)	(3,842)
	276,734	528,850

9 INSURANCE RECEIVABLES

	Group / Company	
	2016	2015
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	123,013	143,258
Due from reinsurers and cedants	37,064	60,734
	160,077	203,992
Allowance for impairment (Note 31)	(13,545)	(20,049)
	146,532	183,943

The Group and the Company offset the gross amount of required insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 32 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2015: Nil).

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	403,754	446,508	353,821	370,006
Staff loans	2,935	4,087	2,935	4,087
Allowance for impairment	(11)	(177)	(11)	(177)
	2,924	3,910	2,924	3,910
	406,678	450,418	356,745	373,916
Interest income receivable				
Fixed and call deposits with licensed financial institutions	3,151	2,189	3,151	2,189
Other receivables				
Knock-for-knock claims recoveries	1,097	984	1,097	984
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	60,235	73,185	60,235	73,185
Other receivables, deposits and prepayments	9,951	13,400	9,739	13,400
	71,283	87,569	71,071	87,569
Allowance for impairment	(107)	(118)	(107)	(118)
	71,176	87,451	70,964	87,451
	481,005	540,058	430,860	463,556
Fair value				
Fixed and call deposits with licensed financial institutions	406,905	448,697	356,972	372,195
Staff loans [net of impairment allowance of RM11,006 (2015: RM176,865)	2,924	3,910	2,924	3,910
Other receivables	71,176	87,451	70,964	87,451
	481,005	540,058	430,860	463,556

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES) (CONTINUED)

The fair values of deposits approximate their carrying amounts due to their relatively short maturity period.

The fair values of staff loans are established by comparing current market interest rates for similar financial instruments to the rates offered when the loans were first recognised together with appropriate market credits adjustments.

The fair values of other receivables approximate their carrying amount.

* MMIP as at 31 December 2016 is a net receivable of RM8,765,695 (2015: net payable of RM13,613,789) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities included in Note 14 to the financial statements.

11 SHARE CAPITAL

	Group / Company	
	2016	2015
	RM'000	RM'000
Authorised ordinary shares of RM1 each		
At beginning of year / end of year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each		
At beginning of year / end of year	403,471	403,471

12 RETAINED EARNINGS

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

As at 31 December 2016, the Company is already under the single-tier tax system. The Company may distribute single-tier tax exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the RBC framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividends would impair its Capital Adequacy Ratio position to below its internal target.

13 OTHER RESERVES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revaluation reserves				
At 1 January	4,916	1,557	4,916	1,557
Surplus arising during the year	-	3,359	-	3,359
At 31 December	4,916	4,916	4,916	4,916
Available-for-sale reserves				
At 1 January	(4,091)	(3,072)	(859)	(1,231)
Fair value loss arising during the year	(9,578)	(765)	10,562	307
Transfer to Income Statement	1,121	(254)	(4,058)	65
At 31 December	(12,548)	(4,091)	5,645	(859)
Total	(7,632)	825	10,561	4,057

14 INSURANCE CONTRACT LIABILITIES

Group / Company	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
Provision for outstanding claims	600,299	(149,339)	450,960	830,343	(360,864)	469,479
Provision for incurred but not reported claims ("IBNR")	259,207	(93,736)	165,471	302,240	(122,520)	179,720
Claims liabilities (i)	859,506	(243,075)	616,431	1,132,583	(483,384)	649,199
Premium liabilities (ii)	482,595	(37,805)	444,790	465,027	(49,308)	415,719
	1,342,101	(280,880)	1,061,221	1,597,610	(532,692)	1,064,918

(i) Claims liabilities

	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
At 1 January	1,132,583	(483,384)	649,199	1,005,309	(406,670)	598,639
Claims incurred in the current accident year	575,976	(51,193)	524,783	671,014	(189,437)	481,577
Other movements in claims incurred in prior accident years	(39,385)	67,743	28,358	(4,034)	37,600	33,566
Movement of IBNR at 75% confidence level	(43,033)	28,784	(14,249)	55,418	(34,386)	21,032
Claims paid during the year	(766,635)	194,975	(571,660)	(595,124)	109,509	(485,615)
At 31 December	859,506	(243,075)	616,431	1,132,583	(483,384)	649,199

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group / Company	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
(ii) Premium liabilities						
At 1 January	465,027	(49,308)	415,719	463,992	(67,530)	396,462
Premiums written in the year (Note 19)	1,084,632	(176,691)	907,941	1,060,374	(180,326)	880,048
Premiums earned during the year (Note 19)	(1,067,064)	188,194	(878,870)	(1,059,339)	198,548	(860,791)
At 31 December	482,595	(37,805)	444,790	465,027	(49,308)	415,719

15 DEFERRED TAXATION

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 deferred tax balances of the Group and the Company after appropriate offsetting are as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
Deferred tax (liabilities)/assets	(3,853)	3,147
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	4,246	5,734
- Other receivables	51	42
- Other payables	-	1,380
- Financial assets at AFS	-	271
	4,297	7,427
Offsetting	(4,297)	(4,280)
Deferred tax assets (after offsetting)	-	3,147
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	5,701	3,820
- Premium liabilities	464	460
- Other payables	202	-
- Financial assets at AFS	1,783	-
	8,150	4,280
Offsetting	(4,297)	(4,280)
Deferred tax liabilities (after offsetting)	3,853	-
Deferred tax assets/(liabilities)		
- Current	(2,300)	1,470
- Non current	(1,553)	1,677
	(3,853)	3,147

15 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax balances during the year are as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
At 1 January	3,147	(32)
Credited to income statement (Note 24)		
- Insurance receivables	(1,488)	500
- Other receivables	9	(291)
- Other payables	(1,582)	1,058
- Property, plant and equipment	(1,881)	994
- Premium liabilities	(4)	222
- Financial assets at FVTPL	-	1,929
	(4,946)	4,412
Charged to equity:		
- Financial assets at AFS	(2,054)	(212)
- Property, plant and equipment	-	(1,021)
Total movement for the year	(7,000)	3,179
At 31 December	(3,853)	3,147

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2016	2015
	RM'000	RM'000
Deposits received from reinsurers	1,759	2,416

The carrying amounts disclosed above approximate their fair value at the date of statement of financial position.

All amounts are payable within one year.

17 INSURANCE PAYABLES

	Group / Company	
	2016	2015
	RM'000	RM'000
Due to agents and intermediaries	38,600	50,730
Due to reinsurers and cedants	45,272	78,224
	83,872	128,954

The Group and the Company offset the gross amount of required insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 32 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2015: Nil).

18 OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash collaterals held on contract bonds	11,038	13,137	11,038	13,137
Payroll liabilities	30,636	26,735	30,636	26,735
Other payables and accrued expenses	35,528	34,571	35,208	32,091
	77,202	74,443	76,882	71,963

The balances are payable within 12 months and the carrying amounts disclosed above approximate their fair values at the date of statement of financial position.

19 NET EARNED PREMIUMS

		Group / Company	
		2016	2015
		RM'000	RM'000
(a)	Gross earned premiums		
	Insurance contracts	1,084,632	1,060,374
	Change in gross premium liabilities	(17,568)	(1,035)
		1,067,064	1,059,339
(b)	Premiums ceded		
	Insurance contracts	(176,691)	(180,326)
	Change in gross premium liabilities	(11,503)	(18,222)
		(188,194)	(198,548)
	Net earned premiums	878,870	860,791

20 INVESTMENT INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
FVTPL financial assets:				
Dividend income				
- equity securities quoted in Malaysia	-	2,313	-	2,313
AFS financial assets:				
Interest income	55,973	51,002	-	182
Amortisation of premium	-	(994)	-	(5)
Dividend income				
- Controlled structured entity	-	-	47,802	46,897
- Unit trust	7,162	-	7,162	-
LAR financial assets – interest income	14,641	17,891	10,239	14,721
	77,776	70,212	65,203	64,108

21 REALISED GAINS AND LOSSES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Property and equipment:				
Realised loss	(6)	(65)	(6)	(65)
Financial assets at FVTPL – held-for-trading:				
Realised gains	-	1,186	-	1,186
AFS financial assets:				
Realised (loss)/gain:				
Corporate debt securities – quoted in Malaysia	21	(217)	-	102
Unit trusts	(182)	296	(5,340)	296
	(167)	1,200	(5,346)	1,519

22 OTHER OPERATING INCOME

	Group / Company 2016 RM'000	Group / Company 2015 RM'000
Agency fees received	1,068	1,054
Other income	2,805	3,113
	3,873	4,167

23 MANAGEMENT EXPENSES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 23(a))	111,750	109,768	111,750	109,768
Directors' remuneration (Note 23(b))	831	849	831	849
Auditors' remuneration:				
- statutory audit	290	275	290	275
- other services	61	57	61	57
Depreciation of property, plant and equipment	10,926	7,645	10,926	7,645
(Write back of)/allowance for impairment of insurance receivables	(6,377)	1,771	(6,377)	1,771
Bad debts written off/(back)	9,860	(2,701)	9,860	(2,701)
Rental of office premises	9,209	8,268	9,209	8,268
Entertainment	20,784	8,530	20,784	8,530
Training expenses	2,396	1,994	2,396	1,994
Management fees	3,981	10,310	3,981	10,310
Repairs and maintenance	1,527	1,313	1,527	1,313
Motor vehicle expenses	4,149	4,262	4,149	4,262
Travelling	977	1,195	977	1,195
Advertising	1,371	711	1,371	711
Printing and stationery	7,180	7,071	7,180	7,071
Postage and telephone	2,307	2,567	2,307	2,567
Electronic data processing expenses	18,424	8,309	18,424	8,309
Bank collection charges	9,452	8,760	9,452	8,760
Other expenses	11,982	14,337	9,245	10,893
	221,080	195,291	218,343	191,847

23 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2016	2015
	RM'000	RM'000
Staff salary and bonus	93,724	91,572
Social security contributions	640	568
Contributions to Employees' Provident Fund	12,463	12,983
Other benefits	4,923	4,645
	111,750	109,768

(b) Directors' remuneration

The details of remuneration receivable by Directors during the year are as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
Executive:		
Salaries and other emoluments	486	470
Bonus	58	84
	544	554
Non-Executive:		
Fees	277	276
Other benefits	10	19
	287	295
	831	849
Represented by:		
Directors' fees	277	276
Amount included in employee benefits expense	554	573

The estimated cash value of benefits-in-kind provided to the Directors of the Group and the Company amounted to RM139,215 (2015: RM147,481).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Group and the Company included in employee benefits expense during the year amounted to RM9,330,669 (2015: RM3,146,157).

The number of Directors whose total remuneration received during the year falls within the following band is:

	Number of Directors	
	2016	2015
Group / Company		
Non-Executive Directors		
Below RM50,000	6	4

24 TAXATION

	Group / Company	
	2016	2015
	RM'000	RM'000
Current income tax:		
Current financial year	12,641	18,666
Overprovision in prior financial years	(1,000)	-
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	4,946	(4,412)
	16,587	14,254

The income taxes for the Group and the Company are calculated based on the tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	125,342	114,227	110,327	111,886
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	30,082	28,557	26,478	27,971
Income not subject to tax	(16,802)	(12,338)	(13,198)	(11,752)
Expenses not deductible for tax purposes	4,169	288	4,169	288
Overprovision in prior years	(1,000)	-	(1,000)	-
(Expenses)/income taxed at a lower tax rate	138	(500)	138	(500)
Tax credit from MMIP cash calls *	-	(1,753)	-	(1,753)
Tax expense for the year	16,587	14,254	16,587	14,254

* The tax credit from MMIP cash calls for the current year 2016 of RM Nil (2015 : RM1,753,000) relates to the deduction allowed on MMIP contributions during year, pursuant to the Gazette Order issued by the Attorney Chambers of Malaysia on 28 November 2014.

25 EARNINGS PER SHARE

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit attributable to ordinary equity holders	108,755	99,973	93,740	97,632
Weighted average number of shares in issue	403,471	403,471	403,471	403,471
Basic earnings per share (sen)	27	25	23	24

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

26 DIVIDENDS

	Group / Company	
	2016 RM'000	2015 RM'000
Final single-tier dividend	68,300	105,546
Dividend rate (%)	16.93	26.16
Dividend per share (sen)	0.1693	0.2616

The Directors have not recommended any final dividend to be paid for the financial year under review.

27 OPERATING LEASE ARRANGEMENTS

The Group and the Company have rental commitments under non-cancellable operating leases and the future minimum lease payments as at 31 December 2016 are as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
Not later than 1 year	6,922	8,915
Later than 1 year and not later than 5 years	4,047	9,924
	10,969	18,839

28 CAPITAL COMMITMENTS

	Group / Company	
	2016	2015
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Renovation	587	379
Property, plant and equipment	4,257	607
	4,844	986

29 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and the Company as at 31 December 2016, are as follows:

Related parties	Country of incorporation	Relationship
Tokio Marine Holdings Inc. ("TMH")	Japan	Ultimate holding corporation
Tokio Marine Life Insurance Malaysia Bhd	Malaysia	Common ultimate holding company
Tokio Marine Asia Pte. Ltd. ("TM Asia")	Singapore	Holding corporation
Tokio Marine & Nichido Fire Insurance Co. Ltd. ("TMNF")	Japan	Subsidiary of TMH

(a) In the normal course of business, the Group and the Company undertake at agreed terms and prices, various transactions with their holding corporation and other corporations deemed related parties by virtue of being subsidiaries of its holding corporations.

The significant related party transactions during the year and balances at the end of the year between the Group and the Company, and their related parties are set out below:

Significant related party transactions

Income/(expenses):

	Group / Company	
	2016	2015
	RM'000	RM'000
Transactions with holding corporations:		
Expenses recharge	(3,212)	(2,736)
Underwriting risk survey fees paid	(398)	(728)
Valuation fees	-	(180)
Transactions with related corporations:		
Premium ceded	(27,082)	(19,240)
Commission received	4,729	3,593
Agency fees received	1,068	1,054
Interest expenses on treaty withheld	(39)	(137)
Rental paid	(325)	(326)
Claims recoveries and paid	29,736	21,426
Risk management fees paid	(187)	(51)
Fund management fees paid	(5)	(69)

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) The significant related party transactions during the year and balances at the end of the year between the Group and the Company, and their related parties are set out below (continued):

	Group / Company	
	2016	2015
	RM'000	RM'000
Insurance receivables		
Advances made on behalf of related corporations	-	660
Claim recoveries due from related corporations	430	1,757
Insurance payables		
Reinsurance premiums due to related corporations	(11,664)	(7,215)
Other payable	(2,401)	(2,309)

(i) The sale of insurance contracts was made according to the published prices and conditions offered to the major customers of the Company.

(b) Key management personnel's remuneration

The remuneration of Directors and other members of key management during the year are as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
Salary	10,635	8,451
Bonus	3,237	2,949
Defined contribution plan	1,911	1,422
Other benefits	3,812	1,488
	19,595	14,310
Included in the total key management personnel are Directors' remuneration (Note 23(b))	544	554

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Group and the Company include the Executive Director, Chief Executive Officer, Deputy Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Group and the Company.

30 INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the unpredictable nature of claims, especially in terms of frequency, severity and the risk of change in economic and legal conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer receiving too little or insufficient premium for the risks it underwrites and insufficient liquidity to pay claims, which are higher than expected. The Group and the Company seek to minimise insurance risks with a balanced mix of business portfolio and by strictly observing the underwriting guidelines and limits, prudent estimation of claims reserving and high standard of security vetting of all its reinsurers.

The table below sets out the concentration of general insurance contracts claims liabilities by class of business:

	31 December 2016			31 December 2015		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	541,642	(38,199)	503,443	550,550	(37,584)	512,966
Fire	94,502	(63,929)	30,573	197,372	(153,550)	43,822
Marine, Aviation and Transit	60,066	(45,001)	15,065	108,848	(90,813)	18,035
Miscellaneous	163,296	(95,946)	67,350	275,813	(201,437)	74,376
	859,506	(243,075)	616,431	1,132,583	(483,384)	649,199

30 INSURANCE RISK (CONTINUED)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's and Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of initial expected loss ratio ("IELR") in the last accident year, first incurred development factor, claim handling expenses, provision for adverse deviation, unexpired risk reserve ("URR") loss ratio and maintenance expense ratio.

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

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

Sensitivity analysis

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

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2016					
Claim Liability					
IELR in the last	+10%	48,617	16,527	(16,527)	(12,561)
accident year	-10%	(48,457)	(16,367)	16,367	12,439
First incurred	+10%	29,615	49,766	(49,766)	(37,822)
development factor	-10%	(29,857)	(52,109)	52,109	39,603
Claim handling	+1%	5,666	5,594	(5,594)	(4,251)
Expenses	-1%	(5,666)	(5,594)	5,594	4,251
Provision for	+5%	29,550	21,424	(21,424)	(16,282)
Adverse Deviation	-5%	(29,550)	(21,424)	21,424	16,282

30 INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2016					
Premium Liability					
URR Loss Ratio	+10%	29,973	38,261	(38,261)	(29,079)
	-10%	-	(9,239)	9,239	7,022
Maintenance	+3%	4,499	16,499	(16,499)	(12,539)
Expense Ratio	-3%	-	(9,239)	9,239	7,022
Provision for	+5%	4,030	15,979	(15,979)	(12,144)
Adverse Deviation	-5%	-	(9,239)	9,239	7,022
31 December 2015					
Claim Liability					
IELR in the last	+10%	41,854	7,916	(7,916)	(5,937)
accident year	-10%	(41,854)	(7,916)	7,916	5,937
First incurred	+10%	16,366	34,773	(34,773)	(26,080)
development factor	-10%	(17,258)	(35,287)	35,287	26,465
Claim handling	+1%	5,762	5,701	(5,701)	(4,276)
Expenses	-1%	(5,762)	(5,701)	5,701	4,276
Provision for	+5%	35,410	19,802	(19,802)	(14,852)
Adverse Deviation	-5%	(35,410)	(19,802)	19,802	14,852
Premium Liability					
URR Loss Ratio	+10%	34,910	25,291	(25,291)	(18,968)
	-10%	-	-	-	-
Maintenance	+3%	-	6,627	(6,627)	(4,970)
Expense Ratio	-3%	-	-	-	-
Provision for	+5%	-	3,949	(3,949)	(2,962)
Adverse Deviation	-5%	-	-	-	-

Claims development table

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

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)

30 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2016:

Group / Company	Prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
Accident year									
At end of accident year		431,330	441,993	691,396	614,352	712,405	777,482	700,637	
One year later		395,948	575,752	630,129	631,204	650,872	713,282		
Two years later		595,325	559,441	612,212	616,126	611,797			
Three years later		575,219	543,047	608,974	607,267				
Four years later		565,338	533,952	601,177					
Five years later		563,670	521,252						
Six years later		559,738							
Current estimate of cumulative claims incurred		559,738	521,252	601,177	607,267	611,797	713,282	700,637	4,315,150
At end of accident year		249,052	227,531	223,573	240,974	253,193	276,526	322,983	
One year later		452,605	415,500	488,463	450,282	469,620	586,525		
Two years later		500,827	462,440	547,135	516,099	539,083			
Three years later		521,480	489,955	565,088	537,427				
Four years later		528,113	496,150	575,757					
Five years later		530,307	499,546						
Six years later		555,293							
Current payments to-date		555,293	499,546	575,757	537,427	539,083	586,525	322,983	3,616,614
Direct and facultative inwards	3,835	4,445	21,706	25,420	69,840	72,714	126,757	377,654	702,371
Treaty Inwards									3,823
MMIP									45,843
		Best estimate of claim liabilities							752,037
		Claim handling expenses							10,184
		Fund PRAD at 75% Confidence Interval							97,285
		Gross general insurance claims liabilities							859,506

30 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2015:

Group / Company	Prior RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Accident year									
At end of accident year		446,393	431,330	441,993	691,396	614,352	712,405	777,482	
One year later		452,366	395,948	575,752	630,129	631,204	650,872		
Two years later		453,901	595,325	559,441	612,212	616,126			
Three years later		543,432	575,219	543,047	608,974				
Four years later		531,397	565,338	533,952					
Five years later		529,752	563,670						
Six years later		519,283							
Current estimate of cumulative claims incurred		519,283	563,670	533,952	608,974	616,126	650,872	777,482	4,270,359
At end of accident year		204,794	249,052	227,531	223,573	240,974	253,193	276,526	
One year later		407,927	452,605	415,500	488,463	450,282	469,620		
Two years later		473,717	500,827	462,440	547,135	516,099			
Three years later		490,844	521,480	489,955	565,088				
Four years later		504,191	528,113	496,150					
Five years later		509,719	530,307						
Six years later		508,485							
Current payments to-date		508,485	530,307	496,150	565,088	516,099	469,620	276,526	3,362,275
Direct and facultative inwards	14,319	10,798	33,363	37,802	43,886	100,027	181,252	500,956	922,403
Treaty Inwards									3,999
MMIP									67,673
		Best estimate of claim liabilities							994,075
		Claim handling expenses							10,354
		Fund PRAD at 75% Confidence Interval							128,154
		Gross general insurance claims liabilities							1,132,583

30 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2016:

Group / Company	Prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
Accident year									
At end of accident year		376,339	379,532	481,635	498,891	521,767	551,103	612,037	
One year later		358,844	452,588	469,924	478,019	501,450	545,923		
Two years later		443,267	439,986	461,108	471,779	487,616			
Three years later		432,849	425,180	461,634	465,928				
Four years later		424,001	425,326	456,508					
Five years later		422,797	419,100						
Six years later		416,576							
Current estimate of cumulative claims incurred		416,576	419,100	456,508	465,928	487,616	545,923	612,037	3,403,688
At end of accident year		187,938	192,763	191,034	216,314	234,572	250,394	307,481	
One year later		350,446	350,002	377,333	388,826	398,828	446,874		
Two years later		388,049	385,947	419,781	425,513	440,356			
Three years later		405,734	403,202	434,301	439,225				
Four years later		411,398	408,306	441,851					
Five years later		412,847	410,213						
Six years later		413,977							
Current payments to-date		413,977	410,213	441,851	439,225	440,356	446,874	307,481	2,899,977
Direct and facultative inward	1,660	2,599	8,887	14,657	26,703	47,260	99,049	304,556	505,371
Treaty Inwards									3,823
MMIP									45,843
		Best estimate of claim liabilities							555,037
		Claim handling expenses							10,184
		Fund PRAD at 75% Confidence Interval							51,210
		Net general insurance claims liabilities							616,431

30 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2015:

Group / Company	Prior	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year		396,603	376,339	379,532	481,635	498,891	521,767	551,103	
One year later		389,840	358,844	452,588	469,924	478,019	501,450		
Two years later		381,842	443,267	439,986	461,108	471,779			
Three years later		440,333	432,849	425,180	461,634				
Four years later		429,679	424,001	425,326					
Five years later		428,961	422,797						
Six years later		422,925							
Current estimate of cumulative claims incurred		422,925	422,797	425,326	461,634	471,779	501,450	551,103	3,257,014
At end of accident year		184,478	187,938	192,763	191,034	216,314	234,572	250,394	
One year later		344,435	350,446	350,002	377,333	388,826	398,828		
Two years later		388,010	388,049	385,947	419,781	425,513			
Three years later		403,187	405,734	403,202	434,301				
Four years later		411,754	411,398	408,306					
Five years later		415,722	412,847						
Six years later		417,184							
Current payments to-date		417,184	412,847	408,306	434,301	425,513	398,828	250,394	2,747,373
Direct and facultative inward	4,071	5,741	9,950	17,020	27,333	46,266	102,622	300,709	513,712
Treaty Inwards									3,999
MMIP									67,673
		Best estimate of claim liabilities							585,384
		Claim handling expenses							10,354
		Fund PRAD at 75% Confidence Interval							53,461
		Net general insurance claims liabilities							649,199

31 FINANCIAL RISK

The Group and the Company are exposed to financial risks including credit, interest rate, currency risks and market risk during the normal course of its business. The Group and the Company have, in place, established procedures and guidelines to monitor the risks on an on-going basis.

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions fail to perform as contracted. Management has a credit policy in place and the exposure to these credit risks is monitored consistently.

At the date of the statement of financial position, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The maximum exposure to credit risk for the components in the financial statements is shown below:

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
LAR (excluding insurance receivables)	10				
- Staff loans		2,924	3,910	2,924	3,910
- Fixed and call deposits		406,905	448,697	356,972	372,195
- Other receivables		68,562	81,542	68,350	81,542
AFS financial assets	6(a)				
- Malaysian Government Securities		164,167	65,506	-	-
- Government Investment Issues		78,000	138,517	-	-
- Corporate debt securities		1,090,984	869,400	-	-
- Unit trusts		92,204	314,987	1,475,227	1,428,914
Reinsurance assets-claim liabilities		238,929	479,542	238,929	479,542
Insurance receivables	9	146,532	183,943	146,532	183,943
Cash and bank balances		25,758	17,272	25,710	17,094
		2,314,965	2,603,316	2,314,644	2,567,140

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating

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

	Neither past-due nor impaired				
Group	Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016					
LAR					
- Staff loans	-	2,924	-	11	2,935
- Fixed and call deposits	406,905	-	-	-	406,905
- Other receivables	-	68,562	-	107	68,669
AFS financial assets					
- Malaysian Government Securities	-	164,167	-	-	164,167
- Government Investment Issues	-	78,000	-	-	78,000
- Corporate debt securities	609,491	481,493	-	-	1,090,984
- Unit trust funds	-	92,204	-	-	92,204
Reinsurance assets-claim liabilities	-	238,929	-	4,146	243,075
Insurance receivables	-	74,245	72,287	13,545	160,077
Cash and bank balances	-	25,758	-	-	25,758
Allowance for impairment	-	-	-	(17,809)	(17,809)
	1,016,396	1,226,282	72,287	-	2,314,965
31 December 2015					
LAR					
- Staff loans	-	3,910	-	177	4,087
- Fixed and call deposits	430,693	18,004	-	-	448,697
- Other receivables	-	81,542	-	118	81,660
AFS financial assets					
- Malaysian Government Securities	-	65,506	-	-	65,506
- Government Investment Issues	-	138,517	-	-	138,517
- Corporate debt securities	511,375	358,025	-	-	869,400
- Unit trust funds	-	314,987	-	-	314,987
Reinsurance assets-claim liabilities	-	479,542	-	3,842	483,384
Insurance receivables	-	82,377	101,566	20,049	203,992
Cash and bank balances	-	17,272	-	-	17,272
Allowance for impairment	-	-	-	(24,186)	(24,186)
	942,068	1,559,682	101,566	-	2,603,316

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

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

	Neither past-due nor impaired				
Company	Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016					
LAR					
- Staff loans	-	2,924	-	11	2,935
- Fixed and call deposits	356,972	-	-	-	356,972
- Other receivables	-	68,350	-	107	68,457
AFS financial assets					-
- Unit trust funds	609,491	865,736	-	-	1,475,227
Reinsurance assets-claim liabilities	-	238,929	-	4,146	243,075
Insurance receivables	-	74,245	72,287	13,545	160,077
Cash and bank balances	-	25,710	-	-	25,710
Allowance for impairment	-	-	-	(17,809)	(17,809)
	966,463	1,275,894	72,287	-	2,314,644
31 December 2015					
LAR					
- Staff loans	-	3,910	-	177	4,087
- Fixed and call deposits	354,191	18,004	-	-	372,195
- Other receivables	-	81,542	-	118	81,660
AFS financial assets					
- Unit trust funds	511,375	917,539	-	-	1,428,914
Reinsurance assets-claim liabilities	-	479,542	-	3,842	483,384
Insurance receivables	-	82,377	101,566	20,049	203,992
Cash and bank balances	-	17,094	-	-	17,094
Allowance for impairment	-	-	-	(24,186)	(24,186)
	865,566	1,600,008	101,566	-	2,567,140

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default experience. The unimpaired reinsurance assets – claim liabilities and insurance receivables without external credit rating are relating to agents and brokers with no defaults in the past.

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016						
LAR						
Staff loans	-	-	-	-	2,924	2,924
Fixed and call deposits	237,329	149,444	-	20,132	-	406,905
Other receivables	-	-	-	-	68,562	68,562
AFS financial assets						
Malaysian Government Securities	-	-	-	-	164,167	164,167
Government Investment Issues	-	-	-	-	78,000	78,000
Corporate debt securities	132,150	467,545	9,796	-	481,493	1,090,984
Unit trust funds	-	-	-	-	92,204	92,204
Reinsurance assets-claims liabilities	-	33,693	98,027	-	107,209	238,929
Insurance receivables	-	10,044	22,469	-	114,019	146,532
Cash and bank balances	-	-	-	-	25,758	25,758
	369,479	660,726	130,292	20,132	1,134,336	2,314,965

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2015						
LAR						
Staff loans	-	-	-	-	3,910	3,910
Fixed and call deposits	254,649	163,771	-	12,273	18,004	448,697
Other receivables	-	-	-	-	81,542	81,542
AFS financial assets						
Malaysian Government Securities	-	-	-	-	65,506	65,506
Government Investment Issues	-	-	-	-	138,517	138,517
Corporate debt securities	69,259	425,531	16,585	-	358,025	869,400
Unit trust funds	-	-	-	-	314,987	314,987
Reinsurance assets-claims liabilities	-	100,592	188,257	-	190,693	479,542
Insurance receivables	-	8,461	26,671	-	148,811	183,943
Cash and bank balances	-	-	-	-	17,272	17,272
	323,908	698,355	231,513	12,273	1,337,267	2,603,316

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016						
LAR						
Staff loans	-	-	-	-	2,924	2,924
Fixed and call deposits	190,699	146,141	-	20,132	-	356,972
Other receivables	-	-	-	-	68,350	68,350
AFS financial assets						
Unit trust funds	132,150	467,545	9,796	-	865,736	1,475,227
Reinsurance assets-claims liabilities	-	33,693	98,027	-	107,209	238,929
Insurance receivables	-	10,044	22,469	-	114,019	146,532
Cash and bank balances	-	-	-	-	25,710	25,710
	322,849	657,423	130,292	20,132	1,183,948	2,314,644

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2015						
LAR						
Staff loans	-	-	-	-	3,910	3,910
Fixed and call deposits	218,451	123,467	-	12,273	18,004	372,195
Other receivables	-	-	-	-	81,542	81,542
AFS financial assets						
Unit trust funds	69,259	425,531	16,585	-	917,539	1,428,914
Reinsurance assets-claims liabilities	-	100,592	188,257	-	190,693	479,542
Insurance receivables	-	8,461	26,671	-	148,811	183,943
Cash and bank balances	-	-	-	-	17,094	17,094
	287,710	658,051	231,513	12,273	1,377,593	2,567,140

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and Company's categorisation of counter-parties by RAM's credit rating.

Group	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016						
Investment grade	369,479	616,989	9,796	20,132	-	1,016,396
Non-investment grade:						
Satisfactory	-	38,358	106,757	-	1,081,167	1,226,282
Past-due but not impaired	-	5,379	13,739	-	53,169	72,287
	369,479	660,726	130,292	20,132	1,134,336	2,314,965
31 December 2015						
Investment grade	323,908	589,302	16,585	12,273	-	942,068
Non-investment grade:						
Satisfactory	-	104,564	194,258	-	1,260,860	1,559,682
Past-due but not impaired	-	4,489	20,670	-	76,407	101,566
	323,908	698,355	231,513	12,273	1,337,267	2,603,316

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and the Company's categorisation of counter-parties by RAM's credit rating. (continued)

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016						
Investment grade	322,849	613,686	9,796	20,132	-	966,463
Non-investment grade						
Satisfactory	-	38,358	106,757	-	1,130,779	1,275,894
Past-due but not impaired	-	5,379	13,739	-	53,169	72,287
	322,849	657,423	130,292	20,132	1,183,948	2,314,644
31 December 2015						
Investment grade	287,710	548,998	16,585	12,273	-	865,566
Non-investment grade						
Satisfactory	-	104,564	194,258	-	1,301,186	1,600,008
Past-due but not impaired	-	4,489	20,670	-	76,407	101,566
	287,710	658,051	231,513	12,273	1,377,593	2,567,140

It is the Group's and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

During the year, no credit exposure limits were exceeded.

The Group and the Company actively manage their product mix to ensure that there is no significant concentration of credit risk.

Age analysis of financial assets past-due but not impaired*

Group / Company	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
31 December 2016						
Insurance receivables (RM'000)	4,146	18,354	14,064	21,080	14,643	72,287
31 December 2015						
Insurance receivables (RM'000)	3,520	16,111	9,696	39,763	32,476	101,566

* Past-due but not impaired refers to amounts outstanding more than 90 days from the effective date of the transactions. The above balances had been aged according to the period subsequent to classification of these balances as past-due.

The past-due but not impaired insurance receivables are relating to agents and brokers with no defaults in the past.

31 FINANCIAL RISK (CONTINUED)

Impaired financial assets

At 31 December 2016, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM17,809,000 (2015: RM24,186,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears between twelve (12) to twenty four (24) months. No collateral is held as security for any past due or impaired assets. The Group and the Company record impairment allowance for loans and receivables and insurance receivables in separate "Allowance for Impairment" accounts. A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables is as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
At 1 January	24,186	22,416
Charge for the year	9,591	14,007
Recoveries	(15,968)	(12,237)
At 31 December	17,809	24,186

Liquidity risk

Liquidity risk is the risk that the Group and Company 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 Group's and Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

There are guidelines on asset allocation, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.

The Group's and Company's catastrophe excess-of-loss reinsurance contract contains clauses permitting the Group and Company to make cash call claims and receive immediate payment for large loss should claim events exceed a certain amount.

Maturity profiles

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

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

Premiums liabilities and the reinsurers' share of premiums liabilities have been excluded from the analysis as they are not financial liabilities as there are no contractual obligations.

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			Contractual Cash Flow (undiscounted)				
Group	Carrying value RM'000	No maturity date RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2016							
Financial investments:							
AFS	1,425,355	92,204	14,762	505,646	260,888	907,847	1,781,347
Reinsurance assets – claims liabilities	238,929	-	141,499	68,915	18,722	9,793	238,929
Insurance receivables	146,532	-	146,532	-	-	-	146,532
LAR (excluding insurance receivables)	478,391	-	476,512	921	692	834	478,959
Cash and bank balances	25,758	25,758	-	-	-	-	25,758
Total financial assets	2,314,965	117,962	779,305	575,482	280,302	918,474	2,671,525
General insurance claims liabilities	859,506	-	493,219	284,949	60,487	20,851	859,506
Other financial liabilities	1,759	-	1,759	-	-	-	1,759
Insurance payables	83,872	-	83,872	-	-	-	83,872
Other payables	77,202	-	77,202	-	-	-	77,202
Total financial liabilities	1,022,339	-	656,052	284,949	60,487	20,851	1,022,339

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			Contractual Cash Flow (undiscounted)				
Group	Carrying value RM'000	No maturity date RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2015							
Financial investments:							
AFS	1,388,410	314,987	9,053	431,388	470,202	397,993	1,623,623
Reinsurance assets – claims liabilities	479,542	-	341,814	119,274	15,678	2,776	479,542
Insurance receivables	183,943	-	183,943	-	-	-	183,943
LAR (excluding insurance receivables)	534,149	-	531,348	1,468	705	1,025	534,546
Cash and bank balances	17,272	17,272	-	-	-	-	17,272
Total financial assets	2,603,316	332,259	1,066,158	552,130	486,585	401,794	2,838,926
General insurance claims liabilities	1,132,583	-	738,064	333,889	50,355	10,275	1,132,583
Other financial liabilities	2,416	-	2,416	-	-	-	2,416
Insurance payables	128,954	-	128,954	-	-	-	128,954
Other payables	74,443	-	74,443	-	-	-	74,443
Total financial liabilities	1,338,396	-	943,877	333,889	50,355	10,275	1,338,396

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
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31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			Contractual Cash Flow (undiscounted)				
Company	Carrying value RM'000	No maturity date RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2016							
Financial investments:							
AFS	1,475,227	1,475,227	-	-	-	-	1,475,227
Reinsurance assets – claims liabilities	238,929	-	141,499	68,915	18,722	9,793	238,929
Insurance receivables	146,532	-	146,532	-	-	-	146,532
LAR (excluding insurance receivables)	428,246	-	426,367	921	692	834	428,814
Cash and bank balances	25,710	25,710	-	-	-	-	25,710
Total financial assets	2,314,644	1,500,937	714,398	69,836	19,414	10,627	2,315,212
General insurance claims liabilities	859,506	-	493,219	284,949	60,487	20,851	859,506
Other financial liabilities	1,759	-	1,759	-	-	-	1,759
Insurance payables	83,872	-	83,872	-	-	-	83,872
Other payables	76,882	-	76,882	-	-	-	76,882
Total financial liabilities	1,022,019	-	655,732	284,949	60,487	20,851	1,022,019

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			Contractual Cash Flow (undiscounted)				
Company	Carrying value RM'000	No maturity date RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 2015							
Financial investments:							
AFS	1,428,914	1,428,914	-	-	-	-	1,428,914
Reinsurance assets – claims liabilities	479,542	-	341,814	119,274	15,678	2,776	479,542
Insurance receivables	183,943	-	183,943	-	-	-	183,943
LAR (excluding insurance receivables)	457,647	-	454,846	1,468	705	1,025	458,044
Cash and bank balances	17,094	17,094	-	-	-	-	17,094
Total financial assets	2,567,140	1,446,008	980,603	120,742	16,383	3,801	2,567,537
General insurance claims liabilities	1,132,583	-	738,064	333,889	50,355	10,275	1,132,583
Other financial liabilities	2,416	-	2,416	-	-	-	2,416
Insurance payables	128,954	-	128,954	-	-	-	128,954
Other payables	71,963	-	71,963	-	-	-	71,963
Total financial liabilities	1,335,916	-	941,397	333,889	50,355	10,275	1,335,916

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities.

Group	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2016			
Property, plant and equipment	-	33,934	33,934
Intangible assets	-	179,943	179,943
Investments:			
- AFS	1,333,151	92,204	1,425,355
Tax recoverable	7,320	-	7,320
Reinsurance assets	139,005	137,729	276,734
Insurance receivables	146,532	-	146,532
Loans and receivables (excluding insurance receivables)	481,005	-	481,005
Cash and bank balances	25,758	-	25,758
Total assets	2,132,771	443,810	2,576,581
Insurance contract liabilities	869,316	472,785	1,342,101
Other financial liabilities	1,759	-	1,759
Deferred tax liabilities	3,853	-	3,853
Insurance payables	83,872	-	83,872
Other payables	77,202	-	77,202
Total liabilities	1,036,002	472,785	1,508,787

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities. (continued)

Group	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2015			
Property, plant and equipment	-	25,577	25,577
Intangible assets	-	179,943	179,943
Investments:			
- AFS	1,073,423	314,987	1,388,410
Tax recoverable	5,768	-	5,768
Deferred tax assets	3,147	-	3,147
Reinsurance assets	432,364	96,486	528,850
Insurance receivables	183,943	-	183,943
Loans and receivables (excluding insurance receivables)	540,058	-	540,058
Cash and bank balances	17,272	-	17,272
Total assets	2,255,975	616,993	2,872,968
Insurance contract liabilities	1,144,657	452,953	1,597,610
Other financial liabilities	2,416	-	2,416
Insurance payables	128,954	-	128,954
Other payables	74,443	-	74,443
Total liabilities	1,350,470	452,953	1,803,423

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities. (continued)

Company	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2016			
Property, plant and equipment	-	33,934	33,934
Intangible assets	-	179,943	179,943
Investments:			
- AFS	-	1,475,227	1,475,227
Tax recoverable	7,320	-	7,320
Reinsurance assets	139,005	137,729	276,734
Insurance receivables	146,532	-	146,532
Loans and receivables (excluding insurance receivables)	430,860	-	430,860
Cash and bank balances	25,710	-	25,710
Total assets	749,427	1,826,833	2,576,260
Insurance contract liabilities	869,316	472,785	1,342,101
Other financial liabilities	1,759	-	1,759
Deferred tax liabilities	3,853	-	3,853
Insurance payables	83,872	-	83,872
Other payables	76,882	-	76,882
Total liabilities	1,035,682	472,785	1,508,467

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities. (continued)

Company	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2015			
Property, plant and equipment	-	25,577	25,577
Intangible assets	-	179,943	179,943
Investments:			
- AFS	-	1,428,914	1,428,914
Tax recoverable	5,768	-	5,768
Deferred tax assets	3,147	-	3,147
Reinsurance assets	432,364	96,486	528,850
Insurance receivables	183,943	-	183,943
Loans and receivables (excluding insurance receivables)	463,556	-	463,556
Cash and bank balances	17,094	-	17,094
Total assets	1,105,872	1,730,920	2,836,792
Insurance contract liabilities	1,144,657	452,953	1,597,610
Other financial liabilities	2,416	-	2,416
Insurance payables	128,954	-	128,954
Other payables	71,963	-	71,963
Total liabilities	1,347,990	452,953	1,800,943

* Expected utilisation or settlement within 12 months from the date of the statement of financial position

31 FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of the potential adverse changes in market prices. Market risk comprises three (3) types of risk – market interest rates risk, foreign exchange rates (currency risk), and market prices (price risk).

The Group and the Company invest in unit trusts and fixed income securities either managed internally or outsourced to professional fund managers. To deal with these risks, the Board has formulated investment policies and strategies and meetings were held during the financial year to monitor the performance of the fund managers.

Interest rate risk

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

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed rate instruments expose the Group and the Company to fair value interest.

Changes in the market interest rates will affect the Group's and the Company's investment earnings as the Group and the Company place part of their excess funds in interest bearing instruments and bank deposits. The Group and the Company therefore have set strict investment guidelines in place that provide for careful selection of issuers and financial institutions to ensure that the risks are well spread and the investments generate favourable as well as safe returns for the shareholders.

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

Group	Impact on profit before tax	Impact on equity*
	RM'000	RM'000
31 December 2016		
Change in interest rates		
+ 50 basis points	8,128	6,177
- 50 basis points	(8,128)	(6,177)
31 December 2015		
Change in interest rates		
+ 50 basis points	7,778	5,833
- 50 basis points	(7,778)	(5,833)

31 FINANCIAL RISK (CONTINUED)

Interest rate risk (continued)

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

Company	Impact on profit before tax	Impact on equity*
	RM'000	RM'000
31 December 2016		
Change in interest rates		
+ 50 basis points	1,810	1,376
- 50 basis points	(1,810)	(1,376)
31 December 2015		
Change in interest rates		
+ 50 basis points	2,837	2,128
- 50 basis points	(2,837)	(2,128)

* Impact on equity reflects adjustments for tax, when applicable

Foreign currency risk

The Group and the Company are exposed to foreign currency risks on transactions that are denominated other than in Ringgit Malaysia. These exposures are monitored on an ongoing basis, and the Group's and the Company's exposure is minimal.

The Group and the Company do not hedge their foreign currency risk.

31 FINANCIAL RISK (CONTINUED)

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 Group's and 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.

The Group's and 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 Group and the Company comply with BNM stipulated limits during the financial year and has no significant concentration of price risk.

There is no significant movement in key variables, thereof having no impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in income statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets) using FBM KLCI or other market indices.

Operational risk

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

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

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

32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting.

	Group / Company	
	2016	2015
	RM'000	RM'000
Gross amounts of recognised		
- insurance receivables	147,983	186,336
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(1,451)	(2,393)
Net amounts of insurance receivables presented in the statement of financial position	146,532	183,943

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2016	2015
	RM'000	RM'000
Gross amounts of recognised		
- insurance payables	85,323	131,347
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(1,451)	(2,393)
Net amounts of insurance payables presented in the statement of financial position	83,872	128,954

33 REGULATORY CAPITAL REQUIREMENTS

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

The capital structure of the Company as at 31 December 2016, as prescribed under the Framework, is provided below:

	Note	Company 2016	2015
		RM'000	RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		653,761	628,321
		1,057,232	1,031,792
Tier 2 Capital			
Available-for-sale reserves	13	5,645	(859)
Revaluation reserves	13	4,916	4,916
		10,561	4,057
Amounts deducted from Capital		(179,943)	(183,090)
Total Capital Available		887,850	852,759

The Company has met the minimum capital requirements specified in the Framework for the financial years ended 2016 and 2015.

34 CONTINGENT LIABILITIES

In August 2016, Malaysia Competition Commission ("MyCC") had commenced investigation under Section 15(1) of the Competition Act 2010 (“the Act”) against the General Insurance Association of Malaysia ("PIAM") and its 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, MyCC issued a proposed decision to all 22 member companies, proposing to impose collective penalty of RM213.5 million on the general insurance industry. The Company has until 5 April 2017 to submit written and/or oral representations to MyCC before any final decision is made and shall defend the allegation as an 'industry collective action'.